DOCUMENT RESUME

ED 211 430 SO 013 813

TITLE	Teaching Economics in the Secondary Social Studies Courses.
INSTITUTION	Texas Education Agency, Austin. Div. of Curriculum Development.
REPORT NO	TEA-CU2-832-01
PUB DATE	82
NOTE	122p.
AVAILABLE FROM	Texas Education Agency, Division of Curriculum Development, 201 East 11th Street, Austin, TX 78701 ($2.00).
EDRS PRICE	MF01/PC05 Plus Postage.
DESCRIPTORS	Concept Teaching; *Curriculum Development; *Economics Education; Secondary Education; *Social Studies; Units of Study

ABSTRACT

The nine instructional units presented in this publication are designed to teach basic economic concepts to secondary students. The units can stand alone and are arranged so that they do not have to be taught in any particular sequence. They range in order from less to more difficult. Topics of units are: economic wants; productive resources; scarcity and choice; opportunity cost and trade-offs; economic incentives; specialization, comparative advantage, and the division of labor; interdependence; markets, supply and demand; and the price mechanism. The units follow a common format, each including an abstract, teaching strategies, materials needed, generalizations, and objectives. At the end of each unit are handouts and/or transparency masters. Where there are pre- and posttests, answer keys are also included. Teaching strategies are many and varied. Students participate in classroom discussion, conduct group research, role play, observe, recall, compare, label, draw inferences and generalize. (Author/RM)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED211430

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Linda Kemp
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

TEACHING ECONOMICS IN SECONDARY SOCIAL STUDIES COURSES

This publication is not copyrighted, and any or all sections may be duplicated.

After the original free distribution to authorized institutions, additional copies may be purchased for $2.00 from the Publications Distribution Office.

Texas Education Agency
Division of Curriculum Development
201 East 11th Street
Austin, Texas 78701

SP013P13

STATE BOARD OF EDUCATION
(State Board for Vocational Education)

JOE KELLY BUTLER, Houston
Chairman of the State Board of Education
Congressional District 7

W.H. FETTER, La Marque
Vice Chairman of the State Board of Education
Congressional District 9

PAUL MATHEWS, Greenville
Secretary of the State Board of Education
Congressional District 4

Board Members

MRS. ELIZABETH R. ARMSTRONG, Lake Jackson
Congressional District 22

VOLLY BASTINE, JR., Houston
Congressional District 18

JAMES M. BINION, Abilene
Congressional District 17

W.W. CARTER, Amarillo
Congressional District 13

DON H. COOK, D.D.S., Mesquite
Congressional District 5

BRYAN CROUCH, Poteet
Congressional District 23

DR. VIRGINIA CURREY, Arlington
Congressional District 24

JIMMY L. ELROD, San Antonio
Congressional District 21

MIKE FERNANDEZ, JR., San Antonio
Congressional District 20

WAYNE FREDERICK, Orange
Congressional District 2

E.R. GREGG, JR., Jacksonville
Congressional District 1

RUBEN E. HINOJOSA, Mercedes
Congressional District 15

JIM HOLLINGSWORTH, De Soto
Congressional District 6

WILLIAM N. KEMP, O.D., Houston
Congressional District 8

MRS. MARY ANN LEVERIDGE, East Bernard
Congressional District 14

REX REDDELL, San Marcos
Congressional District 10

PAUL M. STEVENS, Fort Worth
Congressional District 12

MRS. LAURA TYNES, Waco
Congressional District 11

MRS. MARJORY VICKERY, Lewisville
Congressional District 3

JAMES H. WHITESIDE, Lubbock
Congressional District 19

WAYNE WINDLE, El Paso
Congressional District 16

RAYMON L. BYNUM, Commissioner of Education
(Executive Officer of the State Board of Education)

Committees of the State Board of Education

Policy, Budget, and Finance
E.R. GREGG, Chairman
ELIZABETH ARMSTRONG, Co-Chairman

Instruction, Research, and Evaluation
MARY ANN LEVERIDGE, Chairman
WILLIAM N. KEMP, Co-Chairman

Special Populations
RUBEN E. HINOJOSA, Chairman
DON H. COOK, Co-Chairman

Litigation and Appeals
WAYNE WINDLE, Chairman
VOLLY BASTINE, Co-Chairman

Teacher Preparation, School Support Services, and Special Projects
BRYAN CROUCH, Chairman
JAMES H. WHITESIDE, Co-Chairman

Investment of the Permanent School Fund
JIMMY L. ELROD, Chairman
PAUL M. STEVENS, Co-Chairman

Ad Hoc Committees

Vocational Task Force
WAYNE FREDERICK, Chairman
REX REDDELL, Co-Chairman

Planning Committee
JIMMY L. ELROD, Chairman
W.W. CARTER, Co-Chairman

Steering Committees
(Legislative Mandates)

Finance
E.R. GREGG, Chairman
W.H. FETTER
JAMES H. WHITESIDE

Curriculum
MARY ANN LEVERIDGE, Chairman
JIMMY L. ELROD
WILLIAM N. KEMP

Teacher Preparation
BRYAN CROUCH, Chairman
MIKE FERNANDEZ
REX REDDELL

Vocational Education
REX REDDELL, Chairman
BRYAN CROUCH
WAYNE FREDERICK
JIM HOLLINGSWORTH

Senate Concurrent Resolution 22
(67th Legislature, 1st Called Session)

JOE KELLY BUTLER
JIMMY L. ELROD
E.R. GREGG

FOREWORD

Public education in Texas is committed to the development of economics education for all students. The State Board of Education, through its goals for public schools and its educational policies, has specified that all students should achieve economic competence.

This publication includes a series of instructional units in economics that can be used in secondary social studies courses or in a course in economics. The units are designed to help teachers improve the economic literacy of students, many of whom are already operating as consumers and producers in the American economic system.

Raymon L. Bynum
Commissioner of Education

ACKNOWLEDGMENTS

The Texas Education Agency expresses appreciation to the Nebraska Department of Education for allowing the Agency to adapt the publication, *Junior High Economics Instructional Units,* for the development of this publication. A special thanks is extended to the Nebraska teachers who developed the original instructional units and to Paul Johnson, Nebraska Department of Education consultant for history and social science, who coordinated the development of the original publication and served as liaison between the Texas and Nebraska departments of education.

TEXAS EDUCATION AGENCY STAFF

THOMAS E. ANDERSON, JR., Deputy Commissioner
for Planning, Research, and Curriculum

VICTORIA BERGIN, Associate Commissioner
for General Education

LEROY F. PSENCIK, Director
Division of Curriculum Development

Social Studies Section
LOUIS A. GRIGAR, Program Director

ROBERTA A. RAITHEL
Education Specialist

ELVIN TYRONE
Education Specialist

PAT FOLMAR ROBINSON
Educational Writer
Division of Curriculum Development

CONTENTS

Introduction 1

Unit I: Economic Wants 2

Unit II: Productive Resources 12

Unit III: Scarcity and Choice 26

Unit IV: Opportunity Cost and Trade-Offs 42

Unit V: Economic Incentives 52

Unit VI: Specialization, Comparative Advantage, and the Division of Labor 72

Unit VII: Interdependence 79

Unit VIII: Markets, Supply, and Demand 89

Unit IX: The Price Mechanism 102

INTRODUCTION

The nine instructional units presented in this publication are designed to teach basic economic concepts. The units can stand alone and are arranged so that they do not have to be taught in any particular sequence although they range in order from less to more difficult. They may be used by teachers in various social studies courses to introduce and clarify economic concepts or may be used in their entirety as part of a specific course in economics.

The units follow a common format, each including: an abstract, teaching strategies, materials needed, generalizations, and objectives. Generally, there are five lessons in each unit. Each lesson has a descriptive title, a section labelled Materials Needed, and one designated Teaching Strategies. The section on materials includes those items needed to teach the lesson. The strategies section provides step-by-step instructions for teaching the lesson. Teachers are encouraged to expand on these strategies and change them as circumstances dictate.

At the end of each unit are handouts and/or transparency masters. Where there are pretests and posttests, answer keys are also included.

It is hoped that the user will find these teacher-made instructional units helpful and will be encouraged to expand economic education in the classroom.

UNIT I: ECONOMIC WANTS

Abstract

This unit is designed to make students aware of the concepts of wants and needs in our economy. Students will be asked to examine their own economic wants and needs and the importance of these needs and wants to themselves and others. They will also look at how their wants and needs change as they live through the life cycle. In addition, the effects of people's wants and needs on business will be examined carefully.

Major Teaching Strategies

The teaching strategies for this unit will consist of class discussion, writing activities, and debate and will include defining, brainstorming, comparing, and generalizing. Also, outside resource people will be used to provide practical information and examples.

Materials Needed

The materials needed for this unit are given as a part of each daily lesson plan.

Generalizations

When students have completed this unit, they should be able to make the following generalizations:

- People in all societies have wants and needs.
- Wants and needs are not the same for every person.
- Wants and needs change as a person lives through the life cycle.
- In our American economy, people satisfy most of their wants and needs by buying goods and services from places of business.

Objectives

When students have completed this unit, they should be able to:

- distinguish between wants and needs
- explain how wants and needs differ with each person and how they change throughout the life cycle
- describe how their wants and needs affect business and the American economy in general

LESSON 1
Learning Basic Economic Terms

Materials Needed

- The filmstrip "Consumer Choice," The Procter and Gamble Company, Cincinnati, Ohio, 1976
- Handout 1: Basic Wants and Needs

Teaching Strategies

1. To introduce the unit, show Part One of the filmstrip or use Handout #1 as a pretest.

2. On the chalkboard, write the words *wants* and *needs* in two separate columns.

3. Now let the class brainstorm to identify some wants and needs for the two lists.

   This session should be spontaneous and should not include an evaluation of ideas. Try to get all students to contribute. Do not allow any longer than 10 minutes.

4. Using the ideas arrived at in the brainstorming session, discuss the following questions:
   - What are the differences between wants and needs?
   - Why is it sometimes hard to tell the difference between wants and needs?
     Example: You may need a car to get to work, but it may also be a want—or even a luxury—if you use it for visiting friends.
   - What are some of your wants that if satisfied would cause you to have other wants?
     Discuss examples of your own experiences or your family's experiences to support this statement.

5. If time permits, allow students to do Handout 1.

   Handout 1 may also be used at the end of Lesson 5 for a posttest. (See page 11 for answers for Handout 1)

6. If you decide to use Handout 1, remember that thus far students have not been prepared to complete this sheet successfully. You will need to provide the resources so that students can locate the information needed. Handout 1 may also be made as a library assignment for students to complete on their own time.

LESSON 2
Changing Wants and Needs

Materials Needed

- Magazines, catalogs, and newspapers
- Scissors
- Handouts 2 and 3: Wants and Needs

Teaching Strategies

1. If you used Handout 1, in Lesson 1, use the first part of class to discuss it.

2. Give Handout 2 to students and ask them to complete it.
   - How have your wants changed over the years?
   - How has the American economy been affected by your wants and the changes that have taken place in them?

3. Give students Handout 3 and ask them to complete it.
   - Why are people's wants different?
   - How is most of their income spent? Is it spent on wants or needs?

4. Have students collect pictures of economic wants and needs.
   - Pin these pictures to a bulletin board.
   - Divide the class into groups, and assign each group a stage of the life cycle. Each group will choose those pictures that would best satisfy the economic wants of that age and develop a presentation to justify the selections. This exercise will continue into Lesson 3.

LESSON 3
Wants and Needs Through the Life Cycle

Materials Needed

Transparency A

Teaching Strategies

1. Use the first part of the class period either as a silent time or as a group time for students to organize their thoughts about the activities of the previous class period.

2. Have students complete the presentation that they had begun on the previous day.

3. Use Transparency A to help summarize the points by each group.

LESSON 4
Community Business and Wants and Needs

Materials Needed

No special materials are needed for this lesson. However, you will need to invite some resource people to serve as panelists. You should orient them in advance about what you are studying. Give hints about how to prepare for their presentations to your students.

Teaching Strategies

1. Invite parents who own businesses where students shop to serve as panelists. They might be owners of a:
   - variety store
   - clothing store
   - sports equipment store
   - drug store

2. Ask the panel to consider the following questions:
   - What are items that students want to buy?
   - What are the kinds of items that parents buy for their children in high school?

3. Allow students to question members of the panel about their part in providing for the wants and needs of all people in the town.

LESSON 5
Evaluating Knowledge of Economic Wants

Materials Needed

- Copies of Handout 4: Quotations
- Paper and pencils or pens

Teaching Strategies

1. Ask each student to choose one of the following statements from Handout 4 and discuss it in writing:
   - People who buy what they don't want will soon want that which they can't buy.
   - People who buy what they don't need steal from themselves.

2. Save enough time at the end of the class period to discuss orally some of the students' ideas.

3. Or several days in advance, divide the class into debate teams so they may collect their ideas. Then on the last day of this unit, debate the above statements.

4. You may want to give Handout 1 as a posttest. Compare students' pretest scores with their posttest scores.

Handout 1

BASIC WANTS AND NEEDS

Matching

The following terms should become part of your vocabularly. Place the letter of the correct word in the space at the left of the statement.

a. business	e. economy	i. natural resources
b. capital resources	f. wants	j. needs
c. economic resources	g. goods	k. services
d. economics	h. human resources	l. consumers

____ 1. The study of the production and distribution of goods and services to help satisfy our needs and wants.

____ 2. Those things we must have to stay alive, such as food, clothing, and shelter.

____ 3. Those things which we can live without but which can add pleasure and comfort to living.

____ 4. The plan that a nation has for making decisions on what to produce and how to distribute goods and services.

____ 5. An establishment that supplies us with goods and services in exchange for a payment of some kind.

____ 6. The tangible things we use in our everyday lives.

____ 7. Those things that we pay others to do for us or to show us how to do.

____ 8. One who buys and uses goods and services.

____ 9. The means or sources of help through which we produce the things we need and want.

____ 10. Materials supplied directly by nature and that are used in producing goods and services.

____ 11. Tools and machinery used to change resources into goods and services.

____ 12. The people who work to produce goods and services.

Handout 2
WANTS AND NEEDS

In the column to the left, list what you considered treats when you were a young child. In the column to the right, list what you consider treats today.

TREATS

Very Young	Teenager

Have your wants changed over the years? _____ If so, when and why? _____

_____

_____

_____

_____

_____

Do you think your wants will continue to change? _____ Why? _____

_____

_____

_____

_____

_____

Handout 3
WANTS AND NEEDS

List below those wants and needs discussed in class yesterday and rank them in their order of importance to you.

Classify purchases you have made during the last month under the two categories listed below.

Wants	Needs

Handout 4
QUOTATIONS

Choose one of the following statements and discuss it in writing.

1. People who buy what they don't want will soon want that which they can't buy.

2. People who buy what they don't need steal from themselves.

WANTS AND NEEDS THROUGH THE LIFE CYCLE

Baby	Teenager
Child	Adult

TRANSPARENCY A

ANSWER KEY

Handout 1: Basic Wants and Needs

1. economics
2. needs
3. wants
4. economy
5. business
6. goods
7. services
8. consumer
9. economic resources
10. natural resources
11. capital resources
12. human resources

UNIT II: PRODUCTIVE RESOURCES

Abstract

This unit deals with the concept of productive resources. Because limited productive resources is one of the basic economic problems that any economic system must solve, the concept is tied closely to the idea of unlimited wants and also to the idea of decision making.

The unit is designed to teach students about limited productive resources and to fit this concept into the framework of economics.

Major Teaching Strategies

For this unit, the variety of teaching strategies is more important than any one strategy. All of the following are used: classroom discussion, group research, role playing, observing, recalling, comparing, grouping and labeling (categorizing), drawing inferences, and generalizing.

Essential Advance Preparation and Materials Needed

- Run off the set of transparencies provided at the end of the unit.
- Gather materials for a collage. These include:
  - a large piece of butcher paper divided equally into three parts with a marker and hung in the room where it can be seen. Each part should be labeled with one of the following labels: (1) natural resources, (2) human resources, or (3) capital goods
  - old magazines with pictures to cut
  - scissors, tape or glue, paper clips
- Locate one resource for each of four or five products and/or services that tells how the product and/or service is produced. Food labels or wrappers, encyclopedia or magazine articles, and career booklets from guidance counselors or people with knowledge of a particular product are recommended.

NOTE: Materials and preparation needed for each day's lesson are listed again at the beginning of each lesson.

Generalizations

When students have completed this unit, they should be able to make the following generalizations:

- The three types of productive resources (natural resources, human resources, and capital goods) are always necessary for production.
- All resources are limited.

Objectives

When students have completed this unit, they should be able to:

- Define terms basic to understanding the concept of productive resources
- Explain the relationship of productive resources to economic wants and also to decision making
- Name the three different kinds of productive resources and identify examples of each kind
- Describe the productive resources that go into the production of one product or service
- Recognize production requires all three types of productive resources
- Describe how resources are limited
- Relates some current issues or news stories to the basic economic problem of productive resources
- List and analyze productive resources available in their own community

LESSON 1
Terms Relating to Productive Resources

Materials Needed

- Transparencies A and B
- Overhead projector and pen

Teaching Strategies

1. Review the major concepts of economic wants by showing and discussing Transparency A which lists the following five vocabulary words:
   - economic wants
   - consumption
   - consumers
   - unlimited wants
   - economics

   Quiz students orally to make certain they understand each word. Discuss any areas of confusion.

2. Instruct students to write a paragraph of no more than three sentences, using the five vocabulary words. Explain the purpose for writing this paragraph is to show they understand the meanings and relationships of the words to each other.

3. Ask several students to read their paragraph aloud.

4. Call for critiques from other students if desired.

5. Tell students to keep the paragraphs in their notes. You may want to check and/or evaluate them first.

6. Make the transition to the unit topic *Productive Resources* stressing "We always want goods and services available for our consumption." To achieve this goal, we must somehow *produce* these goods. For this production to occur, it is necessary to have *productive resources* or factors of production available.

7. Show Transparency B. Instruct students to record this diagram in their notes. Once again, explain the relationship described in the transparency or ask students to restate it in their own words. Ask: What is the difference between goods (a product) and services? Have students record several examples of each in their notes. Ask: What are some examples of inputs in the production of a car? As a class, make a list of 20 or more examples and have students record these in their notes.

8. Ask students to group and label the input examples. A label is just a name for the group or category. If time permits, do this as a class assignment; if time does not permit, give it as a homework assignment.

LESSON 2
Locating Different Kinds of Productive Resources

Materials Needed

- Transparencies C, D, and E
- Overhead projector
- Materials for collage including:
  - large piece of butcher paper divided equally into three parts, hung in the room where it can be seen.

Each part should be given one of the following labels: (1) natural resources, (2) human resources, (3) capital goods

- old magazines with pictures to cut out
- scissors, tape or glue, and paper clips (optional)

Teaching Strategies

1. Comment on the results of yesterday's grouping and labeling task in whatever way you feel is most appropriate.

2. Tell students that economists also group productive resources into categories. These three categories describe the three productive resources that are necessary for any type of production.

3. Show each of the transparencies one by one, having students record the written information in their notes. Ask the class for examples of each as you show them. Some examples are shown in the drawings.

4. Give a magazine and scissors to each student or groups of students. Tell the students that they must find 10 pictures of productive resources—at least two in each category. They can also use symbols for their examples. Instruct students to label pictures with their names and the appropriate categories of productive resource. If necessary, students can keep their pictures together with a paper clip.

   When students have completed this task, ask them or a member of the group to show you the 10 examples. If they are correct, allow the students to glue or tape the pictures on the butcher paper in the corresponding sections. These students can help other students finish the task.

   NOTE: Making a different collage in each of your classes is not recommended. One collage, made by several classes, will be more interesting.

LESSON 3
Inputs for Producing Goods and Services

Materials Needed

- Make a list of four or five goods and services such as a loaf of bread, a haircut, a box of breakfast cereal, an ice cream bar, a bus ride, a pair of eye glasses, a pencil, a radio, a school textbook, a cassette tape, or a phonograph record.
- Before the class begins, think of a way to make group assignments. Students can be grouped by the teacher in any way that seems efficient.
- For each product or service assigned, you will need one source of information that will help to explain how this product or service is produced. Possible sources are food labels or wrappers, encyclopedia or magazine articles, career information booklets from counselors, and persons who know the business. It is important to note that these sources need not list all the inputs for production. Students can make a fairly complete list if they have something to help them get started.

  If time allows, the task of finding resources may be assigned to each group or even given to each student.

Teaching Strategies

1. Divide the class into four or five groups. Give each group the name of a product or service to work with.

2. Give the groups the following tasks:
   - List as many inputs as possible for your product or service. Use your source of information to help you begin your list of inputs. Some will have to come from your own knowledge.

- Categorize all of your inputs according to the type of resource: natural, human, or capital. Since all products must be produced by using all three kinds of resources, you will have some inputs listed for each category.

3. Ask students to finish this assignment for homework if necessary.

LESSON 4
Limited Productive Resources

Materials Needed

- Transparencies C, D, and E
- Overhead projector
- Recent newspapers and news magazines (optional)

Teaching Strategies

1. Call on the groups to give their oral reports.

2. Show Transparencies C, D, and E again. Note that all three types of resources are used in the production of all of the products or service. Ask the following questions about each kind of resource. Students may disucss the answers and take notes or they may write out the answers on an assignment.
   - How do we get this kind of resource? Where do these resources come from?
   - Are these resources limited? Explain your answer.

3. In whatever way is most appropriate, present the generalization that all resources are limited.

   Ask students to write down the implication of this information. In other words, ask them to write an inference about what happens because our wants are unlimited and our resources are limited.

4. Assign students to bring to class news stories they found in a newspaper or news magazine or heard on a newscast that relates to the problem of limited resources.

   If the story is from a TV newscast, instruct the student to document the name of the channel, program, newscaster, and also the time the program was aired. Newspaper or magazine articles should be cut out and brought to class. Students who do not have access to these resources may need to be provided with recent newspapers or news magazines.

LESSON 5
Determining Community Resources

Materials Needed

No special materials are needed for this lesson. However, you should choose a student to act as a chairperson and think out how the meeting described is to be conducted. You may even give this student some prior instruction before class begins.

Teaching Strategies

1. Have students write brief synopses of their news stories, commenting on how they relate to the basic economic problem of limited resources. Choose several synopses to be read aloud with comments.

2. Introduce the following situation: "Today we are going to be members of our town's Chamber of Commerce. We are a committee responsible for enticing new business and industry to our town. What productive resources could we say we have available here? Let the collage we made help you think of ideas."

3. Assign a chairperson, and conduct a Chamber of Commerce business meeting. List and discuss resources that can be found in your town. Stress that members must agree that the information listed is both accurate and complete.

4. Hint that students should consider what kind of industry or business these resources would attract and be able to support their ideas on the subject.

LESSON 6
Evaluating Knowledge on Productive Resources

Materials Needed

- Handout 1: Posttest for Productive Resources and Answer Key
- Handout 2: Challenge Activities (use if you plan to extend the unit)

Teaching Strategies

1. Use Handout 1 as a posttest over the materials in this unit. You may also devise your own test.

2. Evaluate and discuss the test in class.

3. You may use Handout 2.

4. For gifted students or students who have a strong interest in economics, use Handout 2: Challenge Activities.

Handout 1
POSTTEST FOR PRODUCTIVE RESOURCES

Part I

Place a plus (+) before each true statement and a zero (0) before each false statement.

____ 1. All three types of productive resources are required for any kind of production.

____ 2. Our resources are always limited and our wants are always unlimited.

____ 3. All the people in our society are consumers.

____ 4. All societies must accumulate capital goods if they wish to improve their economy or standard of living.

____ 5. A knowledge of the basic concepts of economics is useful to anyone in our society.

Part II

List the kinds of productive resources and also list three examples of each kind.

1. _____ 2. _____ 3. _____

a. _____ a. _____ a. _____

b. _____ b. _____ b. _____

c. _____ c. _____ c. _____

Part III

Place the letter of the correct word that is defined to the left of each definition.

A. Production
B. Consumption
C. Natural resources
D. Economics
E. Limited resources
F. Economic wants
G. Productive resources
H. Outputs
I. Unlimited wants
J. Services
K. Capital goods
L. Consumers
M. Inputs
N. Human resources
O. Goods
P. Products

____ 1. Desires that all people have for materials, goods, and services.

____ 2. The using of goods and/or services.

____ 3. People who buy and/or use goods and services.

____ 4. Refers to the fact that things we want to own or use have no limits; we will always want something new or different.

____ 5. Science that deals with the production, distribution, and consumption of wealth.

____ 6. The factors of production, the things necessary to the production of goods and services

____ 7. Those things found in nature that are needed for production.

____ 8. The skills, talents, and knowledge of the people of any society.

____ 9. Wealth that has been built up or created by human efforts such as money, tools, machinery, and factories.

____ 10. Things made by industry, the result of production.

____ 11. Items of personal property or merchandise.

____ 12. Refers to work done for others.

____ 13. Refers to anything put in or necessary for production to occur.

____ 14. Refers to the work done or item produced as a result of production.

____ 15. Working with or combining natural resources, human resources, and capital goods to make a product or service.

____ 16. Refers to the fact that our resources will always be confined within bounds; we will never have all we want.

Part IV

Describe our community's productive resources in one or two paragraphs. Then describe what kind of business or industry these resources might attract to your town. Be sure to list reasons for each inference you make.

Handout 2
CHALLENGE ACTIVITIES

Challenge Activity No. 1

Make a bulletin board of current news stories that relate to the problem of limited productive resources. When students find such news items, have them report to the rest of the class. Every few days, do an update for each story.

Challenge Activity No. 2

Invite a member of the local Chamber of Commerce to speak to the class. Ask the speaker to talk about whether or not the people in your area try to encourage new business and industry and, if so, how they go about doing this. Also, ask the Chamber member to compare the class list of the area's productive resources to the Chamber's ideas on local assets. Ask him or her to comment on the completeness and accuracy of the list.

ANSWER KEY

Handout 1: Posttest for Productive Resources

Part I

1. +
2. +
4. +
5. +

Part II

Teacher discretion is best used here.

Part III

1. F
2. B
3. L
4. I
5. D
6. G
7. C
8. N
9. K
10. H
11. O
12. J
13. M
14. P
15. A
16. E

Part IV

Teachers should evaluate this answer on the basis of local conditions.

TO REVIEW:

- Economic Wants
- Consumption
- Consumers
- Unlimited Wants
- Economics

TRANSPARENCY A

Inputs
PRODUCTIVE RESOURCES

- **Natural Resources**
- **Human Resources**
- **Capital Goods**

PRODUCTION

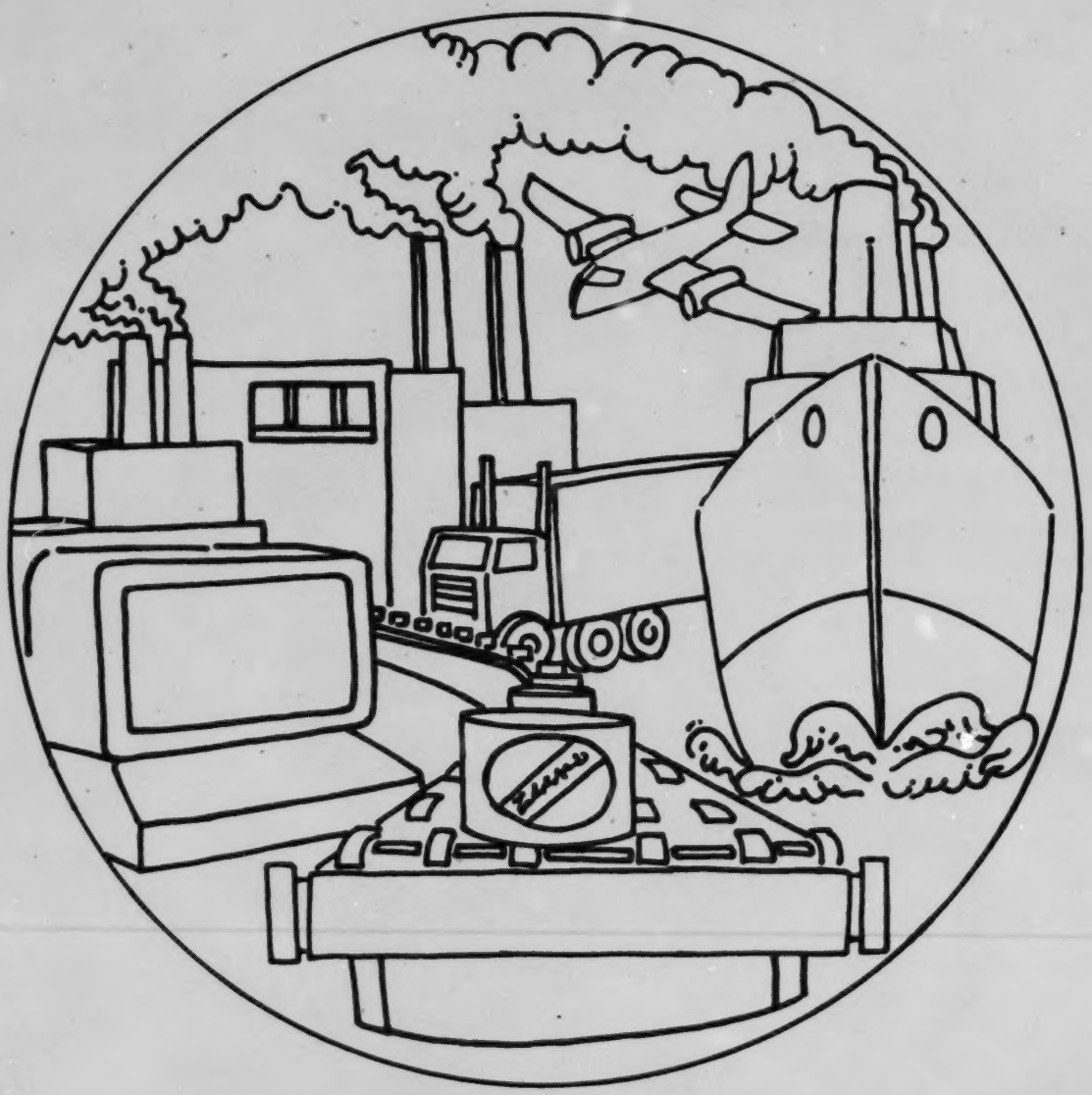
Outputs
GOODS AND/OR SERVICES

NATURAL RESOURCES
are gifts of nature.

TRANSPARENCY C

HUMAN RESOURCES
are people and their skills and knowledge.

TRANSPARENCY D



CAPITAL GOODS
are factories and machines used to produce goods and services.

TRANSPARENCY E

UNIT III: SCARCITY AND CHOICE

Abstract

At one time or another, all countries and all individuals have to deal with the problems of scarcity and choice. In this unit, students will apply the concept of scarcity and choice to their own lives to gain a better understanding of our economic system. The activities for this unit will demonstrate that limited resources force us to make choices. The role of the consumer in the economic system will also be emphasized.

Major Teaching Strategies

Various teaching strategies such as role playing, simulation, class discussion, generalizing, and making inferences are used in this unit.

Materials Needed

Necessary materials are listed in each lesson plan.

Generalizations

When students have completed this unit, they should be able to make the following generalizations:

- All economic wants and needs cannot be satisfied. Countries and individuals have unlimited wants but limited resources. Therefore, they must make choices.
- Choices are made through an economic system.
- Every economic system is faced with three questions:
  - What goods and services will be produced?
  - How will they be produced?
  - Who will use these goods and services?

Objectives

When students have completed this unit, they should be able to:

- explain the concept of scarcity and choice
- describe the role of scarcity and choice in the economic system
- relate the concepts of scarcity and choice to both the society and to their own lives

LESSON 1
Learning Economic Terms in a Group

Materials Needed

- A copy of Handout 1: pretest for Scarcity and Choice (one for each student)
- Magazine pictures—at least five for each group (see below), showing items students would want to buy
- Handout 2: Roles of Leader and Participants in a Small Group (optional)
- Definitions written on large cards for display in the room (may be done by students)
- Handout 3: Terms and Definitions

Teaching Strategies

1. Give each student a copy of the pretest. No more than 10 minutes should be allowed for the completion of the test. The answer key is at the end of the unit.

2. When students have completed the pretest, divide them into small groups of five or six.

3. Give each student a copy of Handout 2. Discuss the role of each member of the group before students begin their activity. (Optional)

4. Give each group five magazine pictures, and give the following instructions to them:

   "Each group has been given pictures of items you might like to buy, but you have enough money to buy only one item. As a group, you must reach an agreement as to which item you are going to choose. Give *three* reasons for explaining the criteria or reasons you used to choose an item. Each group is to choose a leader and a recorder who will write its decision and reasons. You have 10 minutes to complete this activity."

5. As a follow-up activity, ask each group leader to show the class the item its group chose and to read the reasons why that item was selected. Explain to students that individuals, families, and countries must make choices because their resources are limited.

6. Ask the class to brainstorm examples of choices that families and countries must make because of limited resources. During this exercise, introduce the terms *scarcity* and *choice*.

7. Display your poster with the words *scarcity* and *choice* written on it in large letters.

8. Show students the large cards with economic terms and definitions. You may also use Handout 3. Read each definition, and answer questions students may have. Leave the cards displayed around the room to refer to when necessary throughout the unit. Students are not expected to memorize the definitions.

LESSON 2
Allocating Scarce Items

Materials Needed

- Magazines, scissors, paste or tape
- Transparencies A and B

Teaching Strategies

1. Write the following directions on the chalkboard or on a transparency:
   - Cut out five magazine pictures of items that are scarce. Paste the pictures on a sheet of paper. Under each item write the reason why it is scarce.
   - Cut out five magazine pictures that show items you or your family wants. Paste the pictures on another sheet of paper. Under each picture, write an explanation telling why you and your family do not have this item.
   - Write several sentences explaining why people and countries must make choices. Use some of the pictures you cut out as examples in your paragraph.

2. Use the following questions in a discussion to help explain the concept of scarcity and choice.
   - How does the scarcity of an item affect its price?
   - Is there any relationship between items being scarce and you and your family not being able to have them?
   - Show students Transparency A that contains the three basic economic questions. Ask students to discuss their ideas about how the questions are answered by our economic system.
     - Why is what you buy important to the people who produce goods and services? (Producers try to supply what people want; consumers indicate their wants by what they purchase.)

- What are the primary reasons producers manufacture goods and services? (To make profit; therefore, goods must be produced efficiently and economically.)
- Who is able to purchase the most goods and services? (Those with the highest incomes.)

3. After students have stated their ideas, place Transparency B on top of Transparency A to help you clarify the main points.

LESSON 3
Choosing What We Want

Materials Needed

- Transparency C, Producers and Consumers
- Student copies of Handout 4: The $2,500 Give Away

Teaching Strategies

1. Show students Transparency C. Explain the relationship between producer and consumer. Stress what students and their families buy is a factor in what is produced in our economy.

2. Then give each student a copy of Handout 4: The $2,500 Give Away. Review the directions with them. Allow students time in class to complete the activity individually.

3. Ask the following discussion questions:
   - Ask students to share some of their choices. Which five were chosen most frequently?
   - What are some choices you or your family have made recently?
   - Why do families have to make choices such as those listed in this activity?
   - How does the way you and your family choose to spend your resources affect our economy?

LESSON 4
Making Decisions

Materials Needed

- Handout 5: Student Directions for Role Playing
- Handout 6: Group Roles and Proposals (one sheet for each student)

Teaching Strategies

1. Distribute Handout 5: Student Directions for Role Playing and Handout 6: Group Roles and Proposals.

2. Review directions with students.

3. Assign each student to one of the following groups: farmer, businessperson, consumer, government leader, or county commissioner. Each group should be approximately the same size.

4. Allow about half the class period for the formulation of proposals and arguments. The remaining time will be used for presentation of cases and county commissioners' decision.

5. Use the following questions in a discussion to help you clarify the decision-making process.
   - If you were responsible for making the decision, how would you allocate the grants?

- Where would you place your priorities and why?
- What decisions does your community make about how to use its resources?
- What decisions do the state and federal governments make?

LESSON 5
EVALUATION

Materials Needed

- Handout 7: Posttest—Scarcity and Choice (a copy for each student)
- Pencils

Teaching Strategies

1. Give each student a copy of Handout 7.

2. Ask students to complete the test. For the purpose of varying your testing procedures, you may let pairs of students complete the test together. They can compete with other pairs of students.

3. Evaluate the posttest in class, and discuss the answers with the students.

4. Ask students to compare their pretest scores to their posttest scores to see if they improved.

Handout 1
PRETEST FOR SCARCITY AND CHOICE

Part I

Place a plus (+) before each true statement and a zero (0) before each false statement.

____ 1. Many people have greater wants than their resources allow them to satisfy.

____ 2. There are enough resources in our world to produce all the goods people want.

____ 3. A consumer is a person who sells goods in the marketplace.

____ 4. Scarcity comes about because people and countries have unlimited wants but there are limited resources.

____ 5. Everyone plays a role in the economic system of the United States.

____ 6. In the United States, only the government decides what goods and services will be produced.

____ 7. There are no scarce items in the United States.

____ 8. An economic system determines how a country will produce and distribute things people want.

____ 9. Consumers help determine what goods and services will be produced.

____ 10. Natural resources and capital goods are all a country needs to produce goods and services.

Part II

List and briefly describe three economic choices that you have had to make in the past few days.

Handout 2

ROLE OF LEADER AND PARTICIPANTS IN A SMALL GROUP

Role of Leader

1. State the problem. Make sure everyone understands it.

2. Decide *how* to solve the problem and then help the group solve it.

3. Be organized.

4. Ask *questions* and *opinions* of others.

5. Encourage others to support their ideas with facts.

6. Cooperate with others and encourage others to cooperate.

7. Be open—tell someone when you think he or she has a good idea; accept the ideas of others; encourage different viewpoints.

8. Help all members of the group to contribute.

Role of Participants

1. Be a helpful member to your group.
   a. Stay on the subject.
   b. Be open—give ideas and praise others for their ideas.
   c. Discuss—ask questions and accept other people's ideas.
   d. Give facts.
   e. Listen to the leader. Help him or her in carrying out the duties of a leader.

2. Be prepared.
   a. Know facts.
   b. Know where to find them.

3. Try to get along with other members of your group.
   a. Don't interrupt when others are talking.
   b. Encourage *all* members of the group to participate.

Handout 3
TERMS AND DEFINITIONS

ECONOMIC SYSTEM	the means by which a country produces and distributes the variety of things people need and want.
SCARCITY	unlimited wants and limited resources.
ALLOCATE	to distribute, to assign each his or her share.
GOODS AND SERVICES	the enormous variety of things people need and want; for example, automobiles, restaurants, schools, etc.
NATURAL RESOURCES	the water, minerals, soil, timber, and other raw materials used to produce goods and services.
HUMAN RESOURCES	the skills, talents, and abilities of the people of any society necessary for the production of goods and services.
CAPITAL GOODS	factories and machines used to produce the goods and services we need.
CONSUMER	people who use money to satisfy their needs and wants for goods and services.

Handout 4
THE $2,500 GIVE AWAY

Your family has unexpectedly received $2,500. Decide on the best choices for spending this money. After you have completed the activity, take it home and see if your family agrees with your choices. You may add real items and costs to the list if you wish. Put your choices in chart form as shown at the bottom of the page. Remember, you may only spend $2,500.

1. $600 for a family vacation—you haven't taken one for three years.
2. $1,000 for older sister to go to college this fall.
3. $600 for dental work your father has put off for several years.
4. $300 for a camera and projector for family pictures.
5. $100 for a 10-speed bike for you.
6. $600 for braces your little sister needs.
7. $500 to carpet and panel the recreation room for family use.
8. $1,000 for down payment for a badly needed family car.
9. $300 for an encyclopedia for your family.
10. $150 to send you to tennis camp this summer.
11. $150 for a new lawnmower.
12. $400 for clothes for the family.

CHOICES	COST
	TOTAL COST_____

Handout 5
STUDENT DIRECTIONS FOR ROLE PLAYING

You are citizens in a Texas county. Your county commissioners have received a grant of a large amount of money. They must decide how to spend the money. Various groups within the county have presented proposals to the commissioners. Each of these groups has strongly encouraged the commissioners to allocate the money for the group's own particular needs and wants.

Since the county contains large rural areas as well as one large city, the groups are as follows: farmers, businesspeople, consumers, and government leaders. The class will be divided into five groups. Each student will be a member of one of the five groups. You will play the role of either a farmer, a businessperson, a government leader, a consumer, or one of the county commissioners. Your teacher will assign you to a group.

Each group is to prepare arguments to encourage the commissioners to vote for its proposal. You will receive information briefly stating your proposal. Your job will be to formulate convincing arguments in favor of your choice for the use of the grant money. After reading the student directions, you will know how each of the other groups wants the money to be spent. This knowledge may aid you in formulating your arguments.

The commissioners will listen to each group's argument. Then, they will make a decision. Do your best to convince them to vote for your group's proposal. Each group will choose a leader and a recorder who will put its proposal and arguments into writing. Some group members will be selected to present your group's case to the county commissioners.

For directions on how to be an effective participant of a group, refer to Handout 2.

Handout 6
GROUP ROLES AND PROPOSALS

County Commissioners—You will listen to the proposals and arguments presented to you by each group. You will decide how the money given to your county will be spent. Make a fair and logical decision based on the arguments presented to you. You must give reasons for your decision.

Businesspersons—You think an area set aside as an industrial park would benefit the county since it would encourage more business and industry to locate in your county. The industrial park would contain the facilities necessary to attract factories and businesses. However, to develop this area into an industrial park, many trees would have to be cut down to provide the space.

Consumers—Your group would like to see the money spent on a recreational area. This would include a large wooded park, tennis courts, soccer field, etc. You think there is a need for such an area in the county. The most ideal location for this recreational facility would be in the same area the businesspersons want to use for the industrial park.

Farmers—The rural roads in your county need a lot of repair. Some roads are washed out; many bridges are hazardous. The county never seems to have enough money to keep the roads in good condition. You realize that few people who live in the city use these roads, but you know that farmers play an important role in the economic well-being of your county. You feel the farmer is often left out in the expenditure of county funds.

County Government Leaders—The county courthouse is many years old. Frequently it is in need of repair and costs the taxpayers a lot of money for upkeep. You feel that county business could be conducted more efficiently in a new and more modern building.

Handout 7
POSTTEST FOR SCARCITY AND CHOICE

Part I

Place a plus (+) before each true statement and a zero (0) before each false statement.

____ 1. Many people have greater wants than their resources allow them to satisfy.

____ 2. There are enough resources in our world to produce all the goods people want.

____ 3. A consumer is a person who sells goods in a marketplace.

____ 4. Scarcity comes about because people and countries have unlimited wants but there are limited resources.

____ 5. Everyone plays a role in the economic system of the United States.

____ 6. In the United States, only the government decides what goods and services will be produced.

____ 7. There are no scarce items in the United States.

____ 8. An economic system determines how a country will produce and distribute things people want.

____ 9. Consumers help determine what goods and services will be produced.

____ 10. Natural resources and capital goods are all a country needs to produce goods and services.

Part II

Unscramble the words following each definition.

1. Those who use money to satisfy their needs for goods and services.

   M R O N S C U E _____

2. Factories and machines that are used to produce the goods and services we need.

   T A C P L I A S O D O G _____

3. The enormous variety of things people need and want.

   G D O S O A D N V S E R S E C I _____

4. To distribute.

   T O L A A L C E _____

5. Unlimited wants and limited resources.

   R I C Y T S C A _____

6. The water, minerals, soil, timber, and other raw materials used to produce goods and services.

R A T U L A N O U R C E S R E S_____

7. Skills, talents, and abilities of the people of any society necessary to produce goods and services.

H A N M U E S C O U R E R S_____

Part III

Use several sentences to respond to the following:

1. Explain briefly the relationship between the terms scarcity and choice in our economic system.

2. How does the concept of scarcity and choice affect you? Give examples.

EVERY ECONOMIC SYSTEM IS FACED WITH THREE BASIC QUESTIONS

1. **What goods and services shall be produced?**

2. **How will they be produced?**

3. **Who will use these goods and services?**

TRANSPARENCY A

SCARCITY AND CHOICE MAKING

By purchasing a product, consumers are casting a vote to show producers they want that item manufactured. For example, if many buy 10-speed bicycles, the companies that produce them will make even more 10-speed bicycles because they know they are in demand. In others words, the consumer wants to purchase them.

Producers are in business to make a profit. For that reason, they will make products as economically and efficiently as possible. For example, the 10-speed bicycle manufacturer will use an assembly line process rather than have one worker make each bicycle individually.

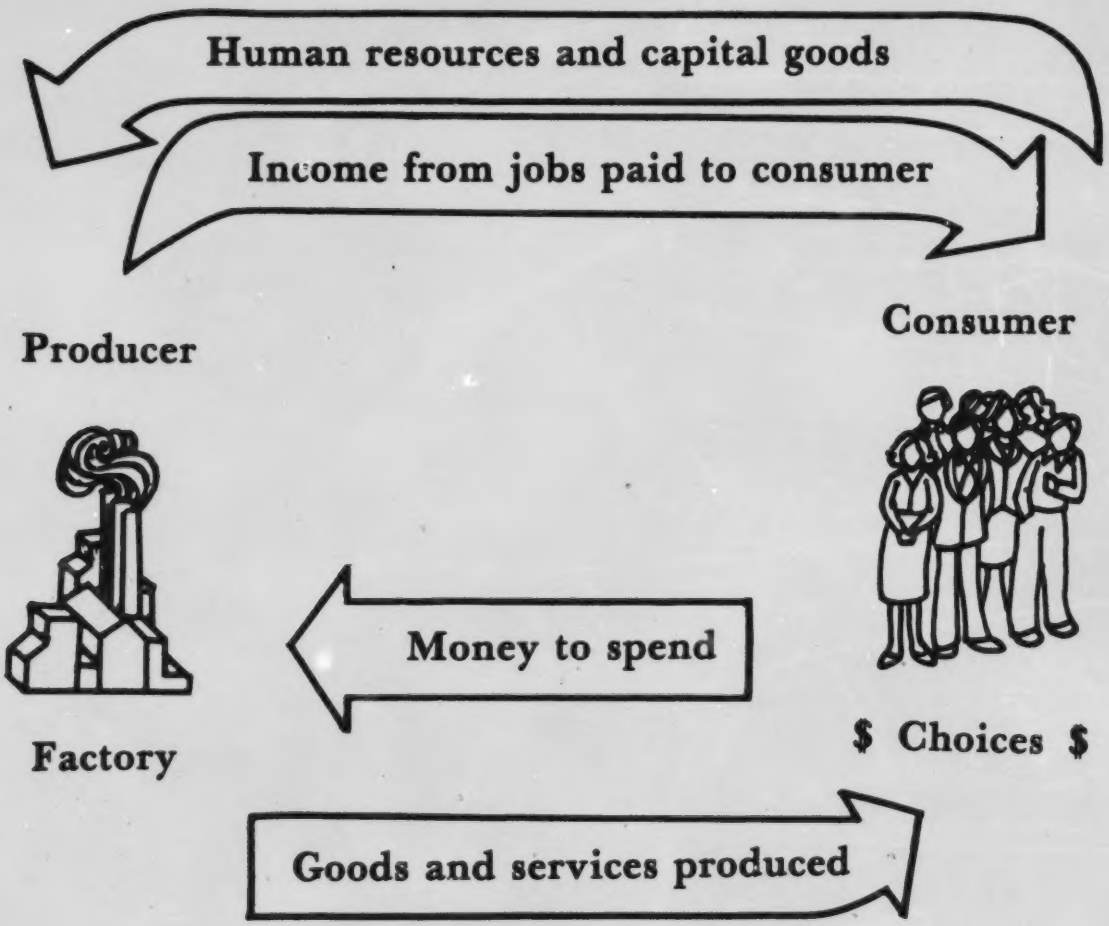
Almost everyone has wants that cannot be satisfied. Everyone who wants a 10-speed bike does not have one. Those who earn the highest income will be able to purchase more of the goods and services produced.

Almost everyone has to make choices about how to allocate resources. Families have to make decisions about which items to buy. Governments have to decide how to spend the citizens' money and also how to utilize other resources. For example, should valuable timber be used as lumber for building or should the trees be preserved in park areas? Should tax money be used for defense or for providing jobs for persons who are out of work?

PRODUCERS AND CONSUMERS

What is necessary to produce goods and services?

Scarce resources—natural and human resources (labor) and capital goods



After studying the diagram, can you explain the relationship between consumers and producers in our economy?

TRANSPARENCY C

ANSWER KEYS

Answer key for Handout 1

Part I

1. + 2.0 3. + 4.0 5. + 6.0 7.0 8. + 9. + 10.0

Part II

The teacher will use his or her own discretion to evaluate this part of the pretest.

Answer key for Handout 7

Part I

1. + 2.0 3.0 4. + 5. + 6.0 7.0 8. + 9. + 10.0

Part II

1. Consumer
2. Capital Goods
3. Goods and Services
4. Allocate
5. Scarcity
6. Natural Resources
7. Human Resources

Part III

Teachers will use their own discretion to evaluate this part of the posttest.

UNIT IV: OPPORTUNITY COSTS AND TRADE-OFFS

Abstract

In this unit, the concepts of opportunity costs and trade-offs are examined. An attempt is made to show the relationship between these concepts and other basic economic problems. Students should get a good idea of the importance of economics and the extent to which this social science permeates our lives. This unit is designed to give students a chance to make an economic decision as a member of a group and also to find out how others make economic decisions.

Major Teaching Strategies

This unit is basically teacher directed. Students have the opportunity to work in groups for such activities as discussion, brainstorming, grouping and labeling (categorizing), and decision making. Students will also be asked to memorize, give examples, define, show relationships, and summarize. Skills such as interviewing, taking notes, and writing short, factual stories from the interviews are also stressed.

Essential Advance Preparation

Materials needed for this unit will be given as part of each daily lesson plan. None of these materials requires much advanced preparation.

Generalizations

When students have completed this unit, they should be able to make the following generalizations.

- Everyone must make economic decisions.
- There are many ways to make economic decisions.
- A knowledge of economics can be useful to anyone.

Objectives

When students have completed this unit, they should be able to:

- list some reasons for studying economics
- identify the four basic economic problems
- define and give an example of opportunity costs and trade-offs
- participate in a group making an economic decision
- discover and analyze some methods other people use to make economic decisions.

LESSON 1
Some Basic Economic Problems

Materials Needed

- Transparencies, A, B, C, and D
- Overhead projector and pen

Teaching Strategies

1. Ask students the question, "Why study economics?"

2. Ask each row or section of the room to form a group and brainstorm for three minutes.

3. Return to the large group and list student answers on the overhead.

4. Ask the class to group and label the items on the list. Then agree or disagree with each item or group.

5. Have students record in their notes those items they think are most important.

6. Show Transparency A. Give students a chance to put this information in their notes.

7. Ask students to comment on the following questions for each of the three levels in Transparency A:
   - How do we participate in economics on this level?
   - How are economic decisions made on this level?
   - How could a knowledge of economics be useful to us on this level?
   - Who benefits by wise decisions made on this level?

8. Show Transparency B but reveal only the first three concepts. For review of the first three basic economic concepts, ask students to define or comment on what they know about the items listed on the transparency. Then show Concept 4 on Transparency B, and ask students to record the information in their notes.

9. Show Transparency C. Introduce the last link in the chain of basic economic concepts as the concept we will be studying in this unit: opportunity costs and trade-offs. Ask: "What kind of a relationship between these concepts is represented by a link of chain?" Also, ask: "How could this drawing be changed to better show the relationships between these concepts?"

10. Show Transparency D. Instruct students to copy the definitions and ask for examples to discuss. Tell them that tomorrow they will be expected to have these definitions memorized as well as be able to give an example of these concepts on a personal level from their own experience. It may be helpful to have an example of your own prepared to share with the class.

LESSON 2
Making Economic Decisions

Materials Needed

- Overhead projector and pen
- Handout 1: Sample Interview

Teaching Strategies

1. Ask student to write a definition for opportunity costs and trade-offs. Then have them relate an example of an economic decision made on a personal level and identify the opportunity costs and trade-offs in the decision. Collect the papers and evaluate them.

2. Lead students as a class in preparation of a list of about 10 questions to be used in an interview to learn about economic decisions and opportunity costs and trade-offs. Use open-ended questions (no "yes" or "no" questions allowed), and then arrange them in the most logical order. Keep the questions general enough so that they can be used for personal, professional, or political decisions. Remind students they can depend on the person being interviewed to relate personal experiences, but the interviewer must be prepared with good questions and must be ready to define and/or explain opportunity costs and trade-offs. You may use Handout 1 if you prefer. Students may use tape recorders in their interviews.

3. Divide the class into pairs. Using the questions prepared by the class, have one student of each pair interview the other one. The interviewer should take notes, and quotes should be double-checked by both persons. You may allow students to use tape recorders.

LESSON 3
Figuring Opportunity Costs

Materials Needed

- A catalog (any catalog such as a Sears', Ward's, or Penney's catalog)
- Overhead projector and pen
- Transparency B

Teaching Strategies

1. Announce to students that to gain practice in making economic decisions, we are going to pretend that we've been given $100 per month "expense money" to use as we (the whole class) see fit. Since the options for using money are spending, saving, and investing, or a combination of these, we'll have to decide as a class exactly how we will use our money. Anything we buy must come from this catalog, so it will be available in the room for the next two days, and students may look at it during any study time or before or after class.

2. Show Transparency B on basic economic problems, and identify each concept in our situation.

3. List suggestions on the overhead for using the money and prioritize. Have the class think about what they should do. Announce that we must make a decision within the next two days.

4. Repeat the interview assignment from the previous lesson. Instruct each pair of students to change roles so that each will have an opportunity to be the interviewer.

   Again, have the interviewer take notes and double-check quotes. Using a tape recorder may save students time.

LESSON 4
Interviewing and Writing News Stories

Materials Needed

Catalog used in previous lesson

Teaching Strategies

1. Discuss and complete the list of suggestions on how to spend the class "expense money." Try to limit options to three or four, and discuss the advantages and disadvantages of each option. Tell students we will make a final decision tomorrow.

2. Discuss the interviews. Ask students to comment on how to get a successful interview. Discuss problems and offer possible solutions.

3. Ask students to write a factual "news story" for a fictional economics magazine from notes taken in the interviews done in class. If students used a recorder, they will have to listen to the tape to retrieve information for the story. They should describe the situation clearly including such factual details as the who, what, when, and where that precipitated the economic decision, and they should identify the opportunity costs and trade-offs. Instruct students to write a minimum of three complete paragraphs. Collect papers.

4. Give homework assignment: Using the same interview questions, interview an adult of your choice (choose someone you think will give an interesting interview about an economic decision made on a professional or political level). Take concise and careful notes on responses. Students may use tape recorders and transcribe notes from their interviews later.

LESSON 5
Evaluating Basic Economic Problems

Materials Needed

- Sheets of lined paper torn in half for quiz
- Handout 2: Challenge Activities

Teaching Strategies

1. Return the news stories and discuss them. Make comments on things students did well, and offer some suggestions for improvement.

2. Read one or two of the best stories.

3. Ask the students to write a factual news story or to prepare a dialog for a news broadcast using the interviews they did for homework. Again, tell them to be sure to describe the situation clearly, to list accurately the factual details that precipitated the economic decision, and to identify the opportunity costs and trade-offs. The students should write a minimum of three paragraphs.

4. Collect the papers or allow the students to "broadcast" their stories to the rest of the class.

5. Make final decisions about how to spend the $100. This could be decided by a vote of the class.

6. Pass out halved sheets of paper. Tell students to identify the opportunity costs and trade-offs made in the decision to spend the $100. Also ask them to explain the best way to make an economic decision.

7. Collect the papers and then discuss the decision as a class.

8. If you wish students to be involved in additional activities, use Handout 2: Challenge Activities. You may share this sheet of Challenge Activities with the students, and let them choose which activity the class will engage in to extend the unit.

   The Challenge Activities can provide culminating activities that students will remember. This may be especially true of Challenge Activities 1 and 2.

Evaluation

Evaluation exercises are built into the daily lesson plans. A teacher can judge the success of the students by reading their brief stories and can correct and/or evaluate the students accordingly. There is no need for a formal evaluation at the end of this unit unless the teacher wishes to do a review of all four of the basic economic problems addressed. In that case, a test may be in order. The individual teacher's judgment is best here because each teacher may stress different ideas and aspects of the economic problems. Therefore, a standard test may not be appropriate for all students.

Handout No. 1
SAMPLE INTERVIEW

1. How would you explain or define opportunity costs and trade-offs?
2. What are the most important kinds of economic decisions you have to make?
3. Describe an example of an important economic decision you have had to make.
4. What are the most significant considerations in this decision?
5. How did you make this decision? What process did you use to decide?
6. What were the opportunity costs and trade-offs involved in this decision?
7. Were you pleased with your decision after you had made it and acted on it? Why or why not?
8. Would you have made the same decision if you had it to do over again? Why or why not?
9. Do you think you are good at making economic decisions? What makes you good at this? What would you like to do better?

Handout 2
CHALLENGE ACTIVITIES

1. Instruct students to compile their stories into an economics magazine. They should think of ideas for fillers, ads, and a cover. It may be a good idea to divide the class into groups for this activity so the number of participants in any one group doesn't get too large. Also, you may wish to choose an editor to be in charge of each group. Display the magazine for students to read.

2. Have students use their stories on economic decisions for information and videotape or write a news broadcast. Again, you may want to divide the class into groups and appoint a producer for each broadcast. Commercials between stories may add interest to the show.

3. Assign students to collect newspaper clippings they think are related to the discipline of economics. Identify the basic economic problems (see Transparency B) in each situation, and analyze the effect of the possible decisions. Collect the articles for a bulletin board.

4. Call the local Chamber of Commerce or regional education service center for a film on the basic principles of economics. Show it to your class, and discuss the information.

Everyone in our society is involved in making economic decisions on all of the following levels:

- **Personal**
- **Professional**
- **Political**

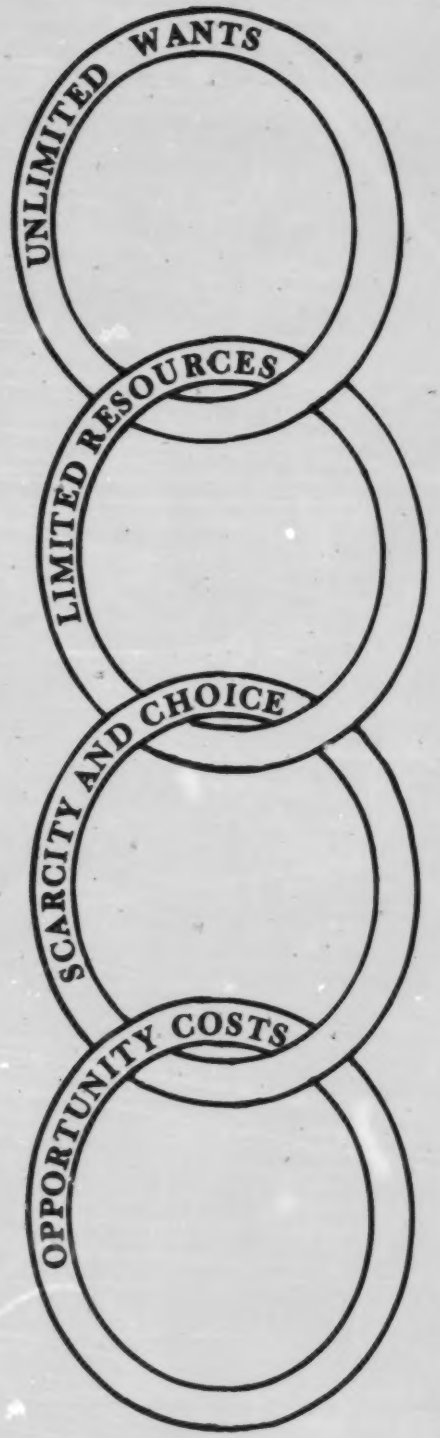
BASIC ECONOMIC PROBLEMS

1. Unlimited Wants
   - Individual
   - Collective

2. Limited Resources
   - Natural Resources
   - Capital Goods
   - Human Resources

3. Scarcity and Choice
   - What and How Much?
   - How?
   - For Whom?

4. Opportunity Costs and Trade-Offs



THE FOUR BASIC ECONOMIC PROBLEMS ARE INTERRELATED.

59

TRANSPARENCY C

OPPORTUNITY COSTS

Definition: The things that must be given up when decisions are made to use scarce productive resources to produce particular goods or services.

TRADE-OFFS

Definition: The action of choosing one good instead of another. Trading off less of one thing for more of something else.

UNIT V: ECONOMIC INCENTIVES

Abstract

In the following units, students will become aware of the concept of economic incentives within our economy. Students will be examining the incentives of self-interest and profit. They will also be studying such terms as capitalism, mixed market economy, and competition.

Major Teaching Strategies

The teaching strategies included in this unit are classroom discussion, role playing, observation, recalling, comparing, generalizing, and making decisions.

Materials Needed

The materials needed for this unit will be given as a part of each lesson plan.

Generalizations

When students have completed this unit, they should be able to make the following generalizations:

- Capitalism is the basis of our economic system.
- The United States has a "mixed market economy" that consists of three groups working together: the consumer, the producer, and the government.
- One of the greatest economic incentives in our American economic system is self-interest.
- The major factor in the concept of self-interest is the profit motive.
- Competition plays an important role in an economy that operates on self-interest.

Objectives

When students have completed this unit, they should be able to:

- define capitalism, economic incentives, profit motive, profit, loss, and competition
- distinguish between a mixed market economy and capitalism
- explain what is meant by economic incentives
- explain the relationship among self-interest, profit motive, and mixed market economy
- analyze the significance of profit as a signal to the producer
- demonstrate the importance of competition in a mixed market economy

LESSON 1
Starting a Business

Materials Needed

- Handout 1: Pretest for Economic Incentives
- Handout 2: I Want to Start a Business
- Handout 3: Starting a Business
- Handout 4: Mixed Market Economy
- Transparency A: I want to Start a Business
- Students own personal notebooks
- Overhead projector

Teaching Strategies

1. Explain to students that the next several lessons will be devoted to a unit on economic incentives. Therefore, the first task will be to determine their previous knowledge of this and other related concepts.

2. After giving students this brief introduction, have them take the pretest, Handout 1.

3. The pretest is quite short and should take only a few minutes. Once everyone has finished the test, ask students which questions seemed to be the most difficult. Explain that within the next several days all of their questions will be answered.

4. Distribute copies of Handout 2: I Want To Start a Business to all students. Have them answer the questions.

5. When everyone has completed Handout 2, use Transparency A to aid in compiling their answers.

6. Use answers to questions on Handout 2 along with questions from Handout 3 to help students to determine requirements for starting a business.

   After discussing Handout 3, students should arrive at the following conclusions:
   - A private individual may start a business provided he or she has the necessary funds.
   - There is risk involved; the business may succeed or it may fail.
   - The individual who starts the business will control what and how much will be sold.
   - The individual's goal is to gain some type of financial reward.

7. Explain to students that starting a business in our society is relatively simple because we have a capitalistic economy.

8. At this point, ask students to develop a workable definition of capitalism to be kept in their notebooks.

9. At this time, use Handout 4 to point out to students that although an individual has a great deal of freedom in starting his or her own business, the rights of other individuals in our society must be considered. Therefore, government at all levels plays a role in our economy.

LESSON 2
Products and the Profit Motive

Materials Needed

- Handout 5: Materials and Costs
- Handout 6: Pricing Products
- Materials will be needed to make a simple product to be sold. These might include paper, paper clips, staples, string, tongue depressors, glue, tape, crayons, paint, thumbtacks, paper fasteners, brushes, etc.

Teaching Strategies

1. Review with students their definition of capitalism. Also review their conclusions about starting a business.

2. Ask students again why they would want to start a business. The *economic incentive* or their motivation for starting a business is individual *self-interest.* This is true "whether they are consumers seeking to maximize the satisfaction of their *economic wants* with limited incomes, producers trying to maximize their profits, or workers trying to earn the most possible income; all groups are motivated basically by their own self-interest."

3. Tell students to develop lists of economic terms and definitions and include *economic incentives*. It can be defined as the motivation behind any economic behavior or the reasons one participates in any economic activity whether it is buying, selling, or earning income.

4. Tell students to add *profit motive* to their lists. It can be defined simply as a desire to make a profit.

5. Now, tell students to add the term *profit* which can be defined as "the share of income remaining after payment of all expenses; total receipts minus total costs of production."

6. Discuss with students the concept that *individual self-interest* is a major factor in our *mixed market economy* and that "a major factor in the concept of *individual self-interest* is the profit motive."

7. Distribute copies of Handout 5: Materials and Costs.

8. Tell students to think of simple products they could make using the materials listed. Suggested products might include a paper airplane, a puppet, a fan, paper dolls, a paper balloon, mobile, etc.

9. Next, ask students to list the materials they would need, the amount, and the cost involved to make their products. After they have determined the cost of their products, tell them to set a price at which they think they could sell them. Use Handout 6: Pricing Products.

   After discussing the questions on Handout 6, students should conclude that they had their own *self-interest* in mind, and their motivation for making the products was to make a profit. In other words, they were affected by the *profit motive*.

10. As an assignment for Lesson 3, have students gather the materials necessary to make the products of their choice. Assign each student to make a product to be displayed in class the next day.

LESSON 3
Investing and Profits

Materials Needed

- Students' homemade products
- Handout 7: Determining: Cost, Profit, and Loss
- Handout 8: Investing and Decision Making
- Handout 9: Profits and Large Corporations

Teaching Strategies

1. Ask students to display their products around the room. Group those products that are alike together. Tell students to choose several products they think they might enjoy owning. As an example for Handout 7, ask students to choose a product that almost all of them agree they would enjoy owning. For Part II of Handout 7, have a product you are sure none of the students would enjoy owning.

2. Assign students to fill out Parts I and II of Handout 7 for both the product they would enjoy owning and the one they would not. Then, use Handout 8 and discuss the questions listed.

3. Begin the next part of the discussion with the following question: How much profit should a company make? Tell students to fill out Part III of Handout 7. Explain that 48 percent is approximately what the federal government taxes corporate profits.

4. After each student has subtracted this 48 percent from his or her profit, explain that the cost of making the item has increased because of inflation. Students will discover that what appears to be a large amount of profit may not even be enough to meet the expense of buying the goods necessary to make their products. This may lead to an interesting discussion about corporations in America and how their rising prices are related to taxation, inflation, and the profit motive.

5. Use the questions on Handout 9 to stimulate this discussion. Questions apply basically to large oil corporations.

LESSON 4
Competition and Product Labeling

Materials Needed

- Several different brands of the same product
- Handout 10: Basic Car from Autotown
- Handout 11: Different Brands, Same Product
- Handout 12: Challenge Activities

Teaching Strategies

1. Review the previous lesson's discussion on how profit acts as a signal to the producer. Also, discuss or review the idea that if a product is making a profit, other producers will be encouraged to make a similar product with the hope of making a profit.

2. Display several different brands of the same product. Try to choose items the students will have seen in commercials on television or heard about on the radio.

3. Ask students the questions from Handout 11: Different Brands, Same Product.

4. After using Handout 11, explain to students that this is what is known as competition, which can be defined as the attempt by two or more sellers, acting independently, to outsell rival sellers or to attract their customers by offering more favorable terms. This definition should be included on students' lists of economic terms and definitions.

   Competition is an important factor in our capitalistic economy. Adam Smith believed that the "invisible hand" of competition forces a system which relies on self-interest and the profit motive to be fair to all or at least to most members of society.

5. Distribute Handout 10: Basic Car from Autotown.

6. Explain to students their task as stated in the handout. Answer questions they have about the situation in Autotown. Assign completion of this handout as a group activity.

7. After students have completed the handout, discuss the advantages of competition and the effects it has on both the producer and the consumer.

8. You may want to use Handout 12: Challenge Activities at this time. However, it is a set of optional activities, and therefore does not have to be used. The activities listed on the handout can be as simple or as detailed as desired, depending on the age and interests of students.

9. Tell students they next will be evaluated over the materials presented during the previous four lessons. Ask if there are any questions and allow time for discussion.

LESSON 5
Evaluation

Materials Needed

- Handout 1: Pretest for Economic Incentives
- Handout 13: Posttest for Economic Incentives

Teaching Strategies

1. Use the first half of the class period to review the unit.

2. You may want to use the pretest to help the students review.

3. Administer Handout 13: Posttest for Economic Incentives, and discuss it in class.

Handout 1
PRETEST FOR ECONOMIC INCENTIVES

Part I

Place the letter of the correct answer in the blank to the left.

____1. Capitalism is
a. a political system.
b. an economic system.
c. a group of state capitals.

____2. Profit motive is
a. a factor in starting a business.
b. the desire to make a profit.
c. unrelated to economic practices.

____3. Profit is
a. all the money one earns from selling a product.
b. what is left after the bills are paid.
c. insignificant to most people in business.

____4. Loss is
a. what is declared when it costs more to make a product than what it can be sold for.
b. insignificant to most people in business.
c. how much money one earns in a year.

____5. Competition
a. does not exist in the United States.
b. plays a very small role in a mixed market economy.
c. is rivalry among businesses.

Part II

Place a plus (+) before each true statement and a zero (0) before each false statement.

____ 1. An important economic incentive is individual self-interest.

____ 2. Capitalism and mixed market economy mean the same thing.

____ 3. Individual self-interest and profit motive are important economic incentives in a mixed market economy.

____ 4. Competition plays a significant role in our economy.

____ 5. Producers are concerned very little with profit or loss.

Handout 2
I WANT TO START A BUSINESS

There is an opportunity for a bicycle shop in town. You have the necessary capital to start this business. You should ask yourself the following questions when considering going into business. Answer the questions yes or no. Circle your answer.

1.	Do I have an idea for a business?	YES	NO
2.	Do I have the necessary capital?	YES	NO
3.	Will I need a place for my business?	YES	NO
4.	Will there be people interested in my business?	YES	NO
5.	Will I be the owner of my business?	YES	NO
6.	Do I wish to make money from my business?	YES	NO
7.	Will I encounter any problems in my business?	YES	NO
8.	Will the federal government own a part or all of my business?	YES	NO
9.	Will there be a limited number of local, state, and federal restrictions?	YES	NO
10.	Could there someday be someone else in the same business?	YES	NO

Handout 3
STARTING A BUSINESS

1. Are there any restrictions to starting a business?

2. Assuming you have all the necessary financial means to start a business, are there any restrictions to starting a business?

3. Will there be any problems in starting a business?

4. What do you hope to gain by starting a business?

Handout 4
MIXED MARKET ECONOMY

The role our government plays determines that we have what is called a *mixed market economy*.

There are three major groups in our society that help in making decisions:

- **Consumers** look for the best value in return for what they spend.
- **Producers**—seek the best income for what they offer.
- **Governments**—federal, state, and local—seek to promote the safety and welfare of the public and to provide services in the public interest.

You may think of yourselves only as consumers. However, most people are a part of all three groups and are consumers, producers, and voters who help to influence decisions made by governments.

Handout 5
MATERIALS AND COST

Materials	Cost
Paper	15¢/sheet
Paper clips	1¢ each
Staples	1¢ each
String	10¢/foot
Tongue depressors	5¢ each
Glue	40¢/bottle
Tape	10¢/foot
Crayons	15¢/box or 2¢ each
Paint	25¢/bottle
Thumbtacks	1¢ each
Paper fasteners	1¢ each
Brushes	20¢ each

MATERIALS NEEDED	COST	QUANTITY	TOTAL
Example: paper	15¢	20	$3.00
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Total cost to make _____

Cost to consumer* _____

*Remember to consider the time (labor) involved in making the item.

Handout 6

PRICING PRODUCTS

1. What is the reason for setting the price of your product at a certain level?

2. What did you want to achieve?

3. Were you concerned about any other person?

Handout 7

DETERMINING: COST, PROFIT, AND LOSS

Part I

ITEM A

Cost of making Item A _____ (1)

Cost of making 25 of Item A _____ (2)

Selling price of Item A _____ (3)

Total selling price of 25 items
(Line (3) x 25) _____ (4)

Subtract Line (2) from
Line (4) _____

_____

This total amount is what we call *profit*. _____

Part II

ITEM B

Cost of making Item B _____ (1)

Cost of making 25 of Item B _____ (2)

Selling price of Item B _____ (3)

Total selling price 10 items
(Line (3) x 10) _____ (4)

Subtract Line (2) from
Line (4) _____

_____

TOTAL _____

This is what we call a *loss*.

Part III

Profit of Item A	_____	(1)
Multiplied by 48 percent	_____	(2)
Total	_____	(3)
Subtract Line (3) from Line (1)	_____	
	_____	
Total	_____	(4)
Cost of making Item A	_____	(5)
Multiplied by 10 percent	_____	(6)
Total	_____	(7)
Subtract Line (7) from Line (4)	_____	
	_____	
Total	_____	(8)

Line (8) represents the amount left after taxes have been paid and a 10 percent increase in cost has been subtracted.

Therefore, at first what seemed to be a reasonable profit may not be enough to cover the expenses of continuing the business. This is something to think about! Let's discuss it.

Handout 8
INVESTING AND DECISION MAKING

1. Which item as a producer would you be most interested in making? Why?

2. Which item would you not want to produce? Why?

3. Imagine you are an enterprising businessman or businesswoman. In which item would you be most interested in investing?

4. What questions would you need to ask yourself before investing your money?

5. What would be the main factor influencing your decision?

6. What kind of signal does high profit give the producer? Low profit or loss?

7. What effect does making a large profit have on a producer? Give examples in our society of profit making items.

8. Give examples of items that were in the market but are no longer on the market. Why do you think this is true?

Handout 9
PROFITS AND LARGE CORPORATIONS

1. What large corporations in the past few years have increased their prices substantially?

2. What were their reasons for doing so?

3. What was the public's attitude toward these price increases?

4. Did the government do anything in connection with the increased prices?

5. How does this relate to our earlier discussion of our country having a "mixed market economy"?

Handout 10
BASIC CAR FROM AUTOTOWN

"Extra, Extra, Mr. Big Time Money Brings the Automobile to Town"

This is the headline of the local newspaper in Autotown where you are living. Apparently, Mr. Money has decided to introduce the automobile to Autotown. It seems to be causing quite a stir, especially, when the cost is revealed: $10,000!

It seems to be a rather high-priced contraption, since it consists of only four wheels, the frame, the body, and the mechanical parts to make it run (motor, battery, generator, exhaust pipe, etc.).

"Mr. Money's Car"

You and your friends have been thinking about starting a business. You decide an automobile factory may be just the answer. Therefore, the decision is made to participate in the free-enterprise system within which you live and give Mr. Big Time Money some competition.

Your task is to design a car, figure the cost, and estimate a selling price. Good luck!

Handout 11
DIFFERENT BRANDS, SAME PRODUCT

1. Why are there several brands of the same product?

2. What are the advantages of having several different brands of a product?

3. What kind of advertising jingles are associated with each brand?

4. What is each company trying to do?

5. Why is it important for there to be several different brands?

6. Because there are so many different brands, what must each company do?

Handout 12

CHALLENGE ACTIVITIES

Challenge Activity No. 1

Determine the actual procedure needed to start a business.

Challenge Activity No. 2

Write a research paper on the following topics:

a. New Invention Successes
b. Oil Companies: Profit or Loss

Challenge Activity No. 3

List adyertising jingles for several products, or create one or more of your own for a product.

Handout 13
POSTTEST FOR ECONOMIC INCENTIVES

Part I

Define the following terms:

1. Capitalism
2. Profit Motive
3. Profit
4. Competition

Part II

Briefly respond to each of the following:

1. Explain the difference between a mixed market economy and capitalism.

2. Identify and describe the two economic incentives that have been discussed during this unit.

3. Describe how economic incentives stimulate a mixed market economy.

4. Explain the effect profit, as a signal, has on producers.

5. Describe the importance of competition on a mixed market economy. How does it benefit most of the people? How does it help to improve a product?

6. After studying about economic incentives, what reason would you give for going into business for yourself?

I WANT TO START A BUSINESS

There is an opportunity for a bicycle shop in town. You have the necessary capital to start this business. Ycu should ask yourself the following questions when considering going into business. Answer the questions yes or no. Circle your answer.

1. Do I have an idea for a business?	YES	NO
2. Do I have the necessary capital?	YES	NO
3. Will I need a place for my business?	YES	NO
4. Will there be people interested in my business?	YES	NO
5. Will I be the owner of my business?	YES	NO
6. Do I wish to make money from my business?	YES	NO
7. Will I encounter any problems in my business?	YES	NO
8. Will the federal government own a part or all of my business?	YES	NO
9. Will there be a limited number of local, state, and federal restrictions?	YES	NO
10. Could there someday be someone else in the same business?	YES	NO

TRANSPARENCY A

UNIT VI:
SPECIALIZATION, COMPARATIVE ADVANTAGE, AND THE DIVISION OF LABOR

Abstract

This unit is designed to help students become aware of the concepts of specialization, division of labor, and comparative advantage in economics. Students will be asked to develop an understanding of how specialization, division of labor, and comparative advantage have helped to improve the technological advances as well as the living standards of many Amercians.

Major Teaching Strategies

A combination of classroom discussions and activities will include the teaching strategies of concept listing, observations, comparing, generalizing, and brainstorming.

Materials Needed

Materials needed for this unit will be given as a part of each daily lesson plan.

Generalizations

When students have completed this unit, they should be able to make the following generalizations:

- Specialization and the division of labor have helped to raise the living standards of most Americans.
- A country benefits in trade with other countries because of the comparative advantages that each specific country enjoys in relation to the other countries.

Objectives

When students have completed this unit, they should be able to:

- Define specialization, division of labor, and comparative advantage
- Explain how these economic concepts have helped to improve our standard of living by providing more jobs and more products
- Explain how comparative advantage in economics can change their daily lives by providing them with products from other countries

LESSON 1
Production and Division of Labor

Materials Needed

- Handout 1: Henry Ford
- Handout 2: Specialization and Division of Labor

Teaching Strategies

1. Begin by reading Handout 1 about Henry Ford and the assembly line process. Discuss with students the methods and ideas that Henry Ford used for producing his automobile.

2. Next, ask students to define the concepts of specialization and division of labor. Use Handout 1 to help them.

3. Finally, students could discuss ways in which tasks are divided around home to help get the work done. This could be done by class discussion or in small groups. Of course, the objective would be to see how dividing the tasks would make the work go faster.

   NOTE: The discussion of Henry Ford and his Model T could relate very well to the industrial revolution if students were studying it at this time.

LESSON 2
Specialization and the Assembly Line

Materials Needed

- Enough tinker toys or building blocks for use by the whole class
- A model built out of tinker toys or building blocks

Teaching Strategies

1. This lesson is an opportunity for the students to experience working with the concepts of division of labor and specialization.

   Use the tinker toy machine that you built as a model. Place it where all students can view it.

2. Group students and let them practice building several copies of a machine. Point out to students that this activity is training for their job.

3. After students have practiced for about 20 minutes, re-group them, and ask them to put themselves on an assembly-line procedure. Allow them about five minutes to work out their procedure. Then begin timing them so that the various groups can compete to see which group can produce the most machines.

4. To contrast the assembly-line process, assign the same number of persons that were on the assembly line to work on machines by themselves.

   At the end of the period, discuss again the concepts of specialization and division of labor. Ask them what they have learned about these two concepts.

LESSON 3
A Field Trip to a Manufacturing Plant

Materials Needed

Make advanced preparation for a field trip to a factory that uses the idea of specialization and division of labor.

Teaching Strategies

1. Arrange to take students on a field trip to a factory or processing plant that would use an assembly-line process, division of labor, and specialization.

2. Ask students to write a one-page essay on their reactions to the assembly-line process for homework.

LESSON 4
Specialization and Comparative Advantage

Materials Needed

No special materials are needed for this lesson.

Teaching Strategies

1. Begin by discussing the field trip. Have students read their essays aloud.

2. Have a student list on the chalkboard common impressions of the site visited. Discuss these impressions.

3. Use Handout 3: Comparative Advantage to help students understand this important companion concept of Specialization and Division of Labor. Discuss the handout with the students.

4. Continue with a discussion of how comparative advantage works on an international basis. Ask students for examples that you can list on the chalkboard.

   The discussion should then emphasize how specialization and division of labor have helped to improve the economy of the United States by providing more jobs and increasing trade with other countries.

5. There are some disadvantages of assembly line work. Read the following statement to the students and ask them to list some disadvantages of assembly line work on the chalkboard:

   Specialization may limit how a worker sees his or her job
   as it relates to the assembly line's final product.

LESSON 5
Evaluation

Materials Needed

Handout 4: Posttest for Specialization, Comparative Advantage, and the Division of Labor

Teaching Strategies

1. Review the unit orally with the students.

2. Administer Handout 4: Posttest.

3. Discuss the Posttest with the students.

Handout 1
HENRY FORD

"The first automobiles were too expensive for most people. Prices ranged from $5,000 to $10,000, or even more. For this reason, the first cars were bought by racing car drivers and a few wealthy people. Fame and fortune awaited the manufacturer who could market a low-priced automobile. The man who did it was Henry Ford. Henry Ford succeeded in producing a low-priced automobile by putting all his efforts into one simple model—the famous 'Model T.' Ford also introduced a new and cheaper way of assembling automobiles—that is, putting the different parts of the car together. In the early days of automobile manufacturing, workers brought together in one place all the parts that went into a car. Then the workers assembled the car from these parts.

Ford's method was just the opposite. He placed his workers on an assembly line. The automobile was built as it rolled along the assembly line on a track from one worker to another. As the automobile reached each worker, an overhead conveyor belt brought him a part such as a battery or a steering wheel. After the worker added the part, the automobile moved on along the assembly line until it was completely built. At the end of the line, the car was driven off under its own power. Because Ford's Model T was mass produced, the price was low. By 1916, the car sold for $400.00."

(From *America: Its People and Values,* Second Edition by Leonard C. Wood, et al. Copyright © 1975, 1971 by Harcourt Brace Jovanovich, Inc. Reprinted by permission of the publisher.)*

*Teachers making additional copies, for noncommercial use within schools, must include this copyright notice on any copies made.

Handout 2
Specialization and Division of Labor

The idea is to divide up the task, each doing his or her own job, and the whole job will be done better and faster. As each person becomes experienced and skilled at a task, he or she will add to the whole.

The concept of division of labor has done pretty well. The assembly line is based on it. In fact, our whole system is based on the idea. Specialization occurs quite rapidly as technology advances, as does interdependence.

Handout 3
Comparative Advantage

A companion concept of specialization and division of labor is the concept of comparative advantage. This idea merely takes specialization a bit further. For example, Texas tends to specialize in producing petroleum products while Michigan tends to specialize in manufacturing automobiles. Texas might be less inefficient in the production of automobiles because of an insufficient labor force and a lack of access to materials such as steel. Michigan would be relatively inefficient in large scale petroleum production because of a lack of that resource. In petroleum production, Texas enjoys a comparative advantage over Michigan. On the other hand, Michigan enjoys a comparative advantage over Texas in manufacturing cars.

Specialization, division of labor, and comparative advantage are important concepts because they show how and why the United States has moved in 200 years from a nation of self-sufficient, self-employed farmers to basically a nation of employees.

Handout 4

POSTTEST FOR SPECIALIZATION, COMPARATIVE ADVANTAGE, AND THE DIVISION OF LABOR

Answer the following questions:

1. In your own words define
   a. *specialization*

   b. *division of labor*

   c. *comparative advantage*

2. Explain how the division of labor, specialization, and comparative advantage can:
   a. help to improve our economy and standard of living

   b. improve trade relations with other countries

VII: INTERDEPENDENCE

Abstract

In this unit, students will become aware of the concept of interdependence within our economy. Students will be asked to examine interdependence, a concept that they may be taking for granted, by looking at a product that requires a great deal of time and energy to prepare. Also, they will examine issues such as strikes by farmers and coal miners, and how these strikes may affect their lives. Other more applicable strikes or economic problems may be substituted in this unit.

Major Teaching Strategies

A combination of classroom discussions and writing activities will be used. The teaching strategies of listing, comparing, drawing inferences, and generalizing will also be used.

Materials Needed

Materials needed for this unit will be given as a part of each lesson plan.

Generalizations

When students have completed this unit, they should be able to make the following generalizations.

- There is an interdependence in the economy among consumers, business persons, farmers, and the government that can directly affect every person's life in the United States.
- Americans live in a society that depends on modern transportation and modern technology for a balance within our economy.

Objectives

When students have completed this unit, they should be able to:

- Define interdependence
- Describe how modern technology and modern transportation can affect interdependence
- List at least two current issues that are directly affecting their lives due to interdependence within the economy
- Compare the interdependence they find in their immediate surroundings to those on a national and international level

LESSON 1
Chocolate Pie and Interdependence

Materials Needed

- One piece of chocolate pie
- Transparencies A and B
- Magazines for product ideas
- Colored pencils for students
- Overhead projector

Teaching Strategies

1. Begin by naming the ingredients of chocolate pie. Students can help. The pie should have a crust, chocolate filling, and meringue topping.

Ingredients:

crust—flour, salt, shortening, water
meringue—egg whites, vanilla extract, sugar
chocolate filling—pudding mix and milk

2. Show Transparency A explaining how interdependence exists in the making of a piece of chocolate pie. Discuss the effects of technology and modes of transportation from all over the world on the creation of this product.

3. At this point, ask students if they can give a definition of interdependence. The following statement is one explanation of interdependence: "The economic system is made up of many interrelated parts that work together as a whole. The activities of business firms, farmers, banking and financial institutions, labor unions, government agencies, and foreign governments all significantly influence people's everyday lives."

4. Ask students to think of a possible product to diagram and consider in terms of interdependence. They can use magazines for ideas and colored pencils for preparing their diagrams. Assign a due date for the examples of interdependence at which time they can be placed on the bulletin board.

5. Ask students to write paragraphs explaining their diagrams.

6. Use Transparency B. Ask individual students to explain it. Bring out the point that both improved transportation and improved technology have affected the economic cycles.

7. Prepare students for the speaker who will talk during Lesson 2.

   For homework, have students prepare a list of questions to ask the speaker.

8. If there is time left, allow students to work on their product diagrams and their descriptions. If not enough time is left, ask them to complete these for homework.

LESSON 2
An Exchange of Ideas About Interdependence

Materials Needed

No special materials are necessary for Lesson 2. However, the lesson calls for a speaker, so advanced planning will be necessary. Invite a businessperson or a farmer to speak to the class; inform the speaker what has been discussed so far in the unit. Ask the speaker to explain his or her role in the economy and how his or her business is affected by the cycle explained in Lesson 1.

Teaching Strategies

1. Ask the speaker to explain how he or she must depend on other businesses to make a living.

2. Ask the speaker to trace the route his or her product must take before it reaches the hands of the consumer.

3. Ask the speaker to explain the part government plays in providing services and the part that taxes play in his or her business operation.

4. After the talk, allow students to ask questions. Students should have prepared questions ahead of time but should not have to stick with them if other more interesting ones arise or if the speaker answers their questions in his or her talk.

LESSON 3
The Cycle of Interdependence

Materials Needed

- Transparency C
- Reading materials about strike situations (optional)
- Handout 1: The Cycle of Interdependence
- Overhead projector

Teaching Strategies

1. Begin by reviewing ideas the speaker expressed during Lesson 2.
   a. Ask students to define interdependence.
   b. Ask students to refer to their product diagrams of interdependence. Some students can be selected to put their product diagrams on the chalkboard. Discuss these briefly.

2. Give the students Handout 1 and ask them to read it.

3. Place Transparency C on the overhead. Explain the interrelations of the ideas on Transparency C. Refer students to Handout 1, and ask someone to summarize the concept of interdependence.

4. After the above discussion, briefly explain to students once again how interdependence is always affecting them.

   Choose a current event. Newspapers and magazines frequently carry news about a strike. Choose a strike and trace how it could affect the students directly.

   Example: a coal strike can affect people in many ways. If the strike continues long enough, the cost of coal can rise and thereby affect the prices of all fuel. People who mine coal and transport it may lose their jobs temporarily or permanently. The government may feel it must take some measure to conserve energy. This can directly affect the students' lifestyles.

   In a state directly affected by such a strike, mandatory closing of stores or having only half days of school could result.

5. Briefly review with students the ideas discussed during the past four lessons.
   a. What is interdependence?
   b. How does modernization in transportation and technology affect the economy?
   c. How do the activities of businesspeople, farmers, bankers, and government employees affect the prices and availability of products we have learned to depend on?

6. Students should keep these ideas in mind and think about how a farmers' strike may affect their lives directly. For Lesson 4, pass out Handout 2: Evaluation.

   Students should answer the questions as a homework assignment.

LESSON 4
Evaluation

Materials Needed

- Handout 2: Evaluation
- Handout 3: A Case Study of Interdependence

Teaching Strategies

1. Begin by giving the students 10-15 minutes to reread and to make changes in the evaluation homework assignment from Lesson 3.

2. Choose some students to read their answers to Questions 1 and 2 aloud.

3. Pass out Handout 3. Give students time to read it. Then ask: How does your example differ from this one?

4. Collect Handout 2 which you will evaluate and return.

Handout 1
THE CYCLE OF INTERDEPENDENCE

Households and businesses request goods and services from various levels of government. In return, they pay for goods and services with their taxes. To provide collective goods and services, the government purchases productive resources. In return, more income is provided for households and businesses.

Handout 2
EVALUATION

Answer the following questions.

1. In your own words, define interdependence as it was discussed in class.

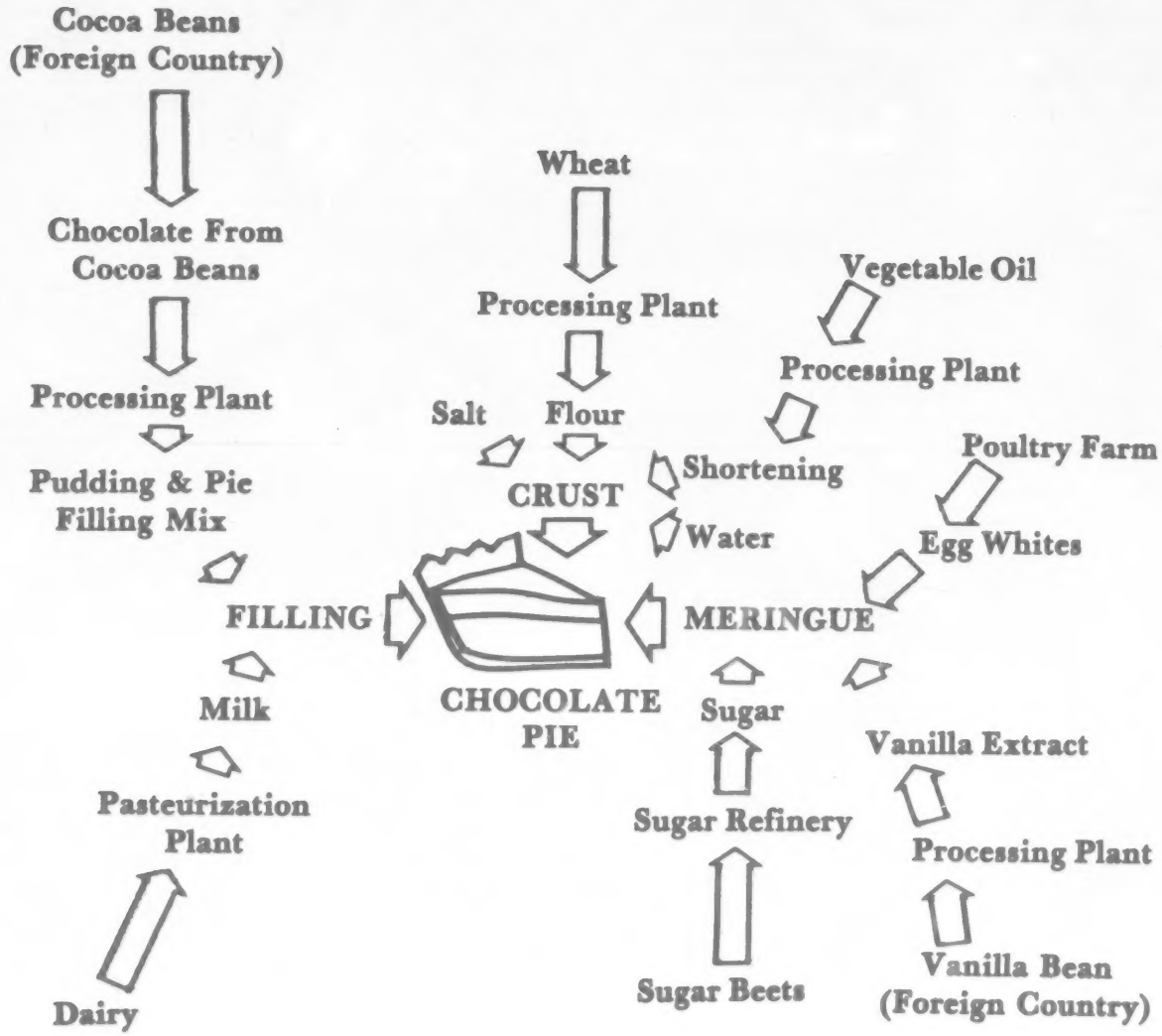
2. Based on the speaker's presentation during Lesson 2, explain what would happen to the economy:
   a. if the speaker went on strike

   b. how this could directly affect the lives of people in your community

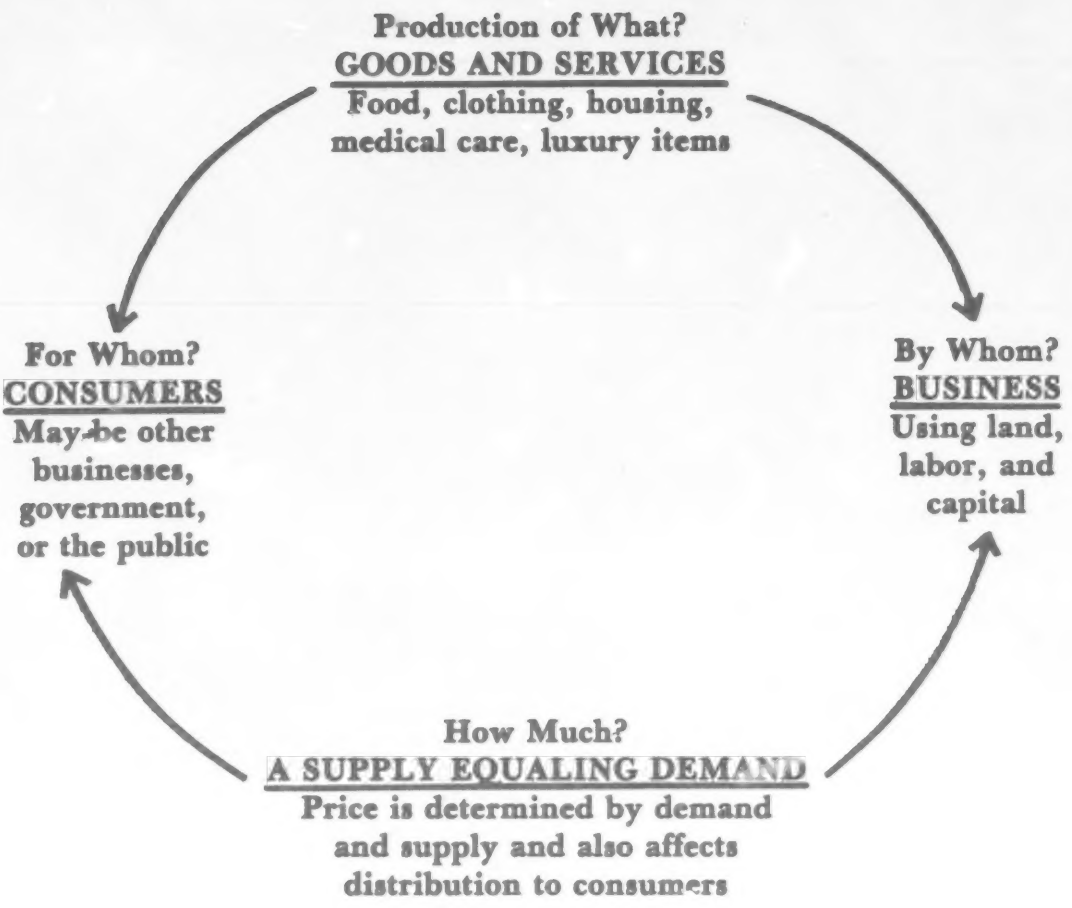
Handout 3
A CASE STUDY OF INTERDEPENDENCE

Many students in Texas cities think agriculture does not have impact on them. Let us assume that a young man is a construction worker in Lubbock. Assume that farm income in the state is down because of drought and low commodity prices. Since much of the economic activity in Lubbock comes from the surrounding farm areas, a decline in economic activities in agriculture will cause a decline in retail sales in Lubbock. This slowdown in economic activity may mean that workers will be laid off in businesses that produce products and services used in agriculture. All of these factors cause a lower level of economic activity. The result will be that businesses in the Lubbock area will not be likely to undertake new construction projects to expand their facilities. Also, there will probably be a slowdown in residential contruction. Due to this chain of events and the interdependent nature of all economic activity, the construction worker who thought that his life had nothing to do with agriculture is unable to find employment.

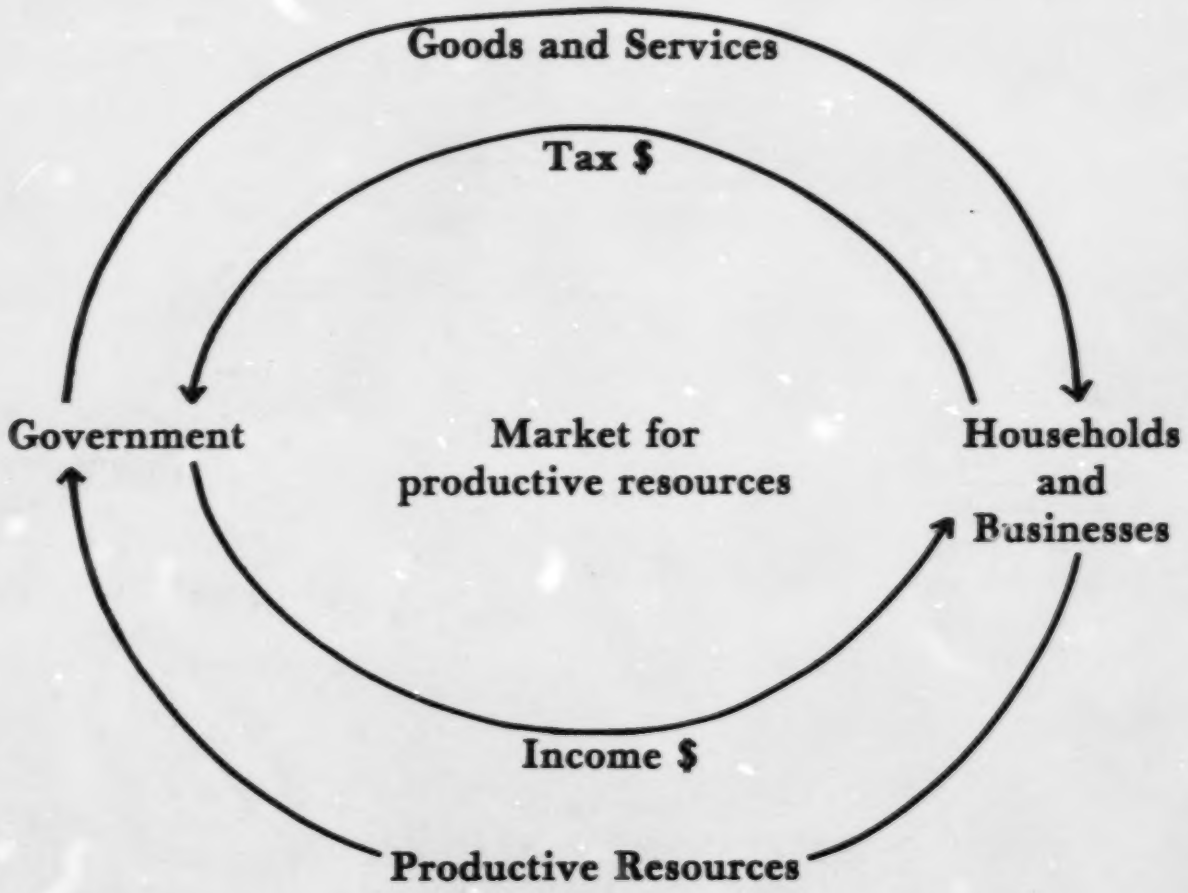
INTERDEPENDENCE AND A PIECE OF CHOCOLATE PIE



TRANSPARENCY A


Production of What?
GOODS AND SERVICES
Food, clothing, housing, medical care, luxury items
By Whom?
BUSINESS
Using land, labor, and capital
How Much?
A SUPPLY EQUALING DEMAND
Price is determined by demand and supply and also affects distribution to consumers
For Whom?
CONSUMERS
May be other businesses, government, or the public

TRANSPARENCY B



'88

TRANSPARENCY C

UNIT VIII: MARKETS, SUPPLY, AND DEMAND

Abstract

This unit is designed to make students aware of the concepts of supply, demand, and markets in our economy. Students will explore the effects of these forces on their daily lives. They will also examine the farm problem to discover its relationship to supply, demand, and the markets.

Major Teaching Strategies

Classroom discussions, writing activities, listing, comparing, graph construction, drawing inferences, and generalizing will be the major teaching strategies used in this unit. Some of these activities will be related to the case study provided with the unit.

Materials Needed

Materials needed for the unit will be given as a part of each daily lesson plan.

Generalizations

When students have completed this unit, they should be able to make the following generalizations:

- The market is the main system used in the United States to decide what goods and services are produced and who will receive them.
- Supply and demand are the components of the market system and greatly affect prices.
- In general, high prices encourage a greater supply of goods and services; low prices discourage the production of goods and services.
- In general, low prices encourage a greater demand for goods and services; high prices discourage the demand for goods and services.

Objectives

When students have completed this unit, they should be able to:

- define the terms market, supply, and demand
- describe the law of supply and demand
- explain the effect of supply and demand on the price
- explain the effect of supply and demand on the market

LESSON 1
Prices, Supply, and Demand

Materials Needed

- Handout 1: Pretest for Markets, Supply, and Demand
- Handout 2: Word Research Puzzle
- Handout 3: Interview with a Store Manager
- Overhead projector

Teaching Strategies

1. Administer Handout 1: Pretest to students to determine the extent of their familiarity with some of the ideas related to price, supply, and demand (and their relationship to the market). Correct the test in class.

2. When students have completed the pretest, have them compile a list of five goods and services that they used today from the time they awoke until they arrived at school. The list could include such things as toothpaste, soap, breakfast food, electricity, running water, natural gas, etc.

3. When the lists are completed, go over them with the class. A master list can be composed on the chalkboard or overhead.

4. Pick out a number of common goods and services and ask members of the class how "useful" they are. Point out differences in student choices.

5. Ask students if anyone can define *utility*. (Utility is the ability of goods and services to satisfy our wants and desires.) Introduce the idea of demand. Demand shows the amount that all consumers will purchase at given prices for a given period of time.

6. Give each student a copy of Handout 2: Word Research Puzzle. Use it as a vocabulary exercise.

7. Give each student a copy of Handout 3: Interview with a Store Manager. Divide the class into teams and assign each team to interview a store manager in the local community.

8. Collect copies of Handout 1: Pretest and hold until Lesson 5. You will use them again for comparison purposes. If there is not time to complete all the teaching strategies in this lesson, move on to Lesson 2. It would be better not to use all of the strategies than to rush through them and leave students with a poor understanding of the topic.

LESSON 2
The Law of Supply and Demand

Materials Needed

- Transparency A: Supply Curve
- Transparency B: Demand Curve
- Graph paper

Teaching Strategies

1. Ask the teams to report on their interviews with store managers. Discuss and compare the reports of the various teams.

2. Use Transparencies A and B to illustrate the law of supply and the law of demand. The law of supply is that at higher prices suppliers are willing to provide more goods than at lower prices. The law of demand states that as the price of a good declines, a larger quantity will be purchased. By overlaying Transparency A: Supply Curve and Transparency B: Demand Curve, you can show the equilibrium price. This is the price that satisfies both producers (suppliers) and consumers (demanders). Therefore, it is the price that will prevail.

3. Discuss supply and demand. Be certain that students understand what each term means. Use examples of scarce items to illustrate how they demand higher prices.

4. For homework, ask the students to construct a demand curve and a supply curve for minibikes. Their demand and supply curves should be based on the data provided in the following tables:

Price per minibike	Quantity demanded per year
$750	3 million
$500	6 million
$350	9 million
$250	12 million
$150	15 million
$100	18 million

Price per minibike	Quantity supplied per year
$750	18 million
$500	15 million
$350	12 million
$250	9 million
$150	6 million
$100	3 million

LESSON 3
The Farmer Versus the Law of Supply and Demand

Materials Needed

- Handout 4: A Case Study—The Farmer Versus the Law of Supply and Demand
- Handout 5: Questions to Accompany the Case Study
- Answer Key to Handout 5

Teaching Strategies

1. Ask a student to put his or her minibike supply and demand curve on the chalkboard. Discuss it briefly. Make sure everyone knows how to complete this assignment. Collect the papers, and check them for accuracy. Return them at the end of the unit.

2. Give each student a copy of Handouts 4 and 5. Tell them to read the case study silently and then to write out the answers to the questions.

3. When the students have completed the case study and have answered the questions, use the questions and their answers as a basis for class discussion as a follow-up activity.

LESSON 4
The Farmer's Dilemma

Materials Needed

No special materials or supplies are needed for this lesson.

Teaching Strategies

1. Invite a speaker from a farmer's organization to class. Explain what was discussed in Lesson 3 so the speaker will understand what the students have been studying. Ask the speaker to provide the farmer's point of view toward the market. This might include comments on how much influence a price fluctuation of a few cents has on a farmer's income, how an oversupply of a product forces prices below the cost of production, or why some farmers choose to take some land out of production. The speaker may also talk about political activities that farmers can engage in to help themselves.

2. As the speaker talks, students are to write down questions so they won't forget them. After the talk, allow time for students' questions.

3. After the speaker leaves, debrief students. Zero in on supply and demand again.

LESSON 5
Review and Evaluation

Materials Needed

- Handout 1
- Handout 6

Teaching Strategies

1. Review with students the ideas discussed during the past four lessons. Review the law of supply and demand and its relationship to price.

2. Review the definitions of the following terms: market, demand, supply, price, consumer, buyer's market, seller's market, elastic demand, monopoly, and utility.

3. Give each student a copy of Handout 1, and explain that they will take the pretest as a posttest to see how much they have gained in knowledge.

4. Distribute Handout 6, and tell students that this is the second part of their evaluation.

5. When students have completed Handouts 1 and 6, correct the tests in class. Discuss the questions.

6. Return Handout 1, the pretest, to students and have them compare their individual scores to see how they improved.

Handout 1

PRETEST FOR MARKETS, SUPPLY, AND DEMAND

Place a plus (+) before each true statement and a zero (0) before each false statement.

____ 1. Goods and services have value when they satisfy economic needs and wants.

____ 2. If the price remains above the cost of producing a good or service, new competitors are likely to enter the field.

____ 3. High prices tend to increase the production of goods and services.

____ 4. Low prices tend to increase the production of goods and services.

____ 5. A buyer's market exists when the demand is high and the supply is low.

____ 6. A seller's market exists when the demand is high and the supply is low.

____ 7. An increase in the price of a product tends to reduce the amount of the product that will be produced.

____ 8. Demand for a good or service is not affected by the amount of money that people have to spend.

____ 9. Demand for a good or service is affected by a change in people's habits and wants.

____ 10. Elastic demand is the type that changes very little when prices change.

____ 11. Demand causes the price to increase when supply of a good is limited.

____ 12. When the price of a good gets too high, people sometimes buy something else.

____ 13. A monopoly, such as the telephone company, encourages competition.

____ 14. Supply and demand determine the rates charged by the telephone company.

____ 15. High production (an increase in supply) tends to increase prices.

____ 16. The ability of goods and services to satisfy our wants and desires is called utility.

Handout 2
WORD RESEARCH PUZZLE

F D E M S U P G P T O Y A B
D R I D E M A N D L L A R U
R A L O L U Z M O O I P B Y
S U P P L Y U C P F P R U E
L U M K E O R O R R N D F R
B T A A R F N N I P I G Q S
Z I R L S C I S F S H C H M
R L K M M P F U G U R N E A
Q I E N A S Q M E C R O R R
L T T Z R T X E C O N S U K
F Y E A K L T R O R Z L X E
H P R Q E L M I N T P X S T
E L A S T I C D E M A N D Z

Find words above to place in the correct sentences below.

1. The _____ is the primary institution in the U.S. to decide what is produced and who will receive it.
2. The wants of the consumer are known as _____.
3. The amount of goods available to the consumer is known as _____.
4. _____ is the amount of money necessary to buy a good or service.
5. A _____ _____ exists when supply is great and demand is low.
6. A _____ _____ exists when demand is high and supply is low.
7. _____ _____ exists when a change in price of a good causes considerable change in the amount of a good bought.
8. When a producer is free from competition and has total power to determine prices, he has a _____.
9. _____ is the abi'y of goods and services to satisfy our wants and needs.
10. A _____ is a person who buys goods and services to satisfy his or her wants.

Handout 3
INTERVIEW WITH A STORE MANAGER

1. What effect has a recent price change on a popular item had on sales volume?

2. Do you think the effect of the change supports the theory of the law of demand?

3. Why or why not?

4. Why did you change the price?

5. Do the reasons given in answer to Question 4 support the principles of the law of supply and demand?

6. If so, how? If not, why not?

Handout 4

A CASE STUDY
THE FARMER VERSUS THE LAW OF SUPPLY AND DEMAND

Farmers do not want to produce unless they receive enough money from selling the things they produce (milk, meat, grain, etc.) to pay all of their costs and make profits. Sometimes farmers will continue to raise crops and livestock without making profits in the hope they will eventually gain enough profits to recover previous losses. In recent years, it has become more and more difficult for farmers to last through low-profit or non-profit periods because the costs of production have become so great.

The following hypothetical case will illustrate some of the problems farmers face in dealing with the forces of supply and demand. Let us assume that the Browns, the Harts, the Garcías, the Kelleys, and the Grays are farmers in a county in Texas. They raise soybeans, milo, and cattle. They sell their crops to a local grain buyer and sell their livestock at the local sale barn. Prices tend to control production. For example, if the price of soybeans rises while the price of milo and cattle remains the same, the Browns, the Harts, and the Garcías will plant a larger percentage of their land to soybeans and raise less milo and fewer cattle. If the price remains above the cost of production, the Kelleys and the Grays are likely to convert their crop-growing acres to soybeans and raise less milo and fewer cattle also. Thus the production of soybeans will rise, and the production of milo and cattle will fall. So we can see that high prices tend to increase production.

In the autumn, the harvest begins and our farmers haul their soybeans to the elevator to sell. Gradually, the grain buyers acquire as many soybeans as they can use, so they lower the price they are willing to pay for the soybeans. Now our farmers face a problem because they have created a condition known as a "buyer's market."

A buyer's market exists when demand (the quantity of soybeans the grain buyers want) is not high, but the supply (the quantity of soybeans the farmers have) is high. The price of the soybeans dropped because all of our farmers changed to the production of soybeans and created too large a supply of soybeans. Now we can see that production tends to control price.

Milo and cattle are harder to obtain now that less milo and fewer cattle are available. The grain buyers and sale barn operators still need to acquire them in order to sell them to processors. The buyers raise the price of milo and the price of the cattle to encourage the farmers to bring in these products. This condition is known as a "seller's market" (demand is high and supply is low). Since the supply of milo and cattle has fallen, their prices have risen. As this trend continues, the farmers will change from raising soybeans to raising milo and cattle. The prices of these commodities will change again as the cycle of supply and demand is repeated again.

Handout 5

QUESTIONS TO ACCOMPANY THE CASE STUDY

1. What encourages farmers to produce the things they produce?

2. Why has it become more difficult for farmers to endure periods of low profits or no profits at all?

3. How do prices tend to control production?

4. Why did the Browns, the Harts, and the Garcías decide to grow more soybeans?

5. What economic principle was illustrated when the Kelleys and the Grays also decided to grow more soybeans?

6. How did the farmers create a "buyer's market"?

7. How does production tend to control prices?

8. What happened to the price of milo and cattle when the farmers decided to grow more soybeans? Why?

9. How was the "seller's market" created?

10. Explain the relationship of supply and demand to the price of soybeans.

Handout 6

POSTTEST FOR MARKETS, SUPPLY, AND DEMAND

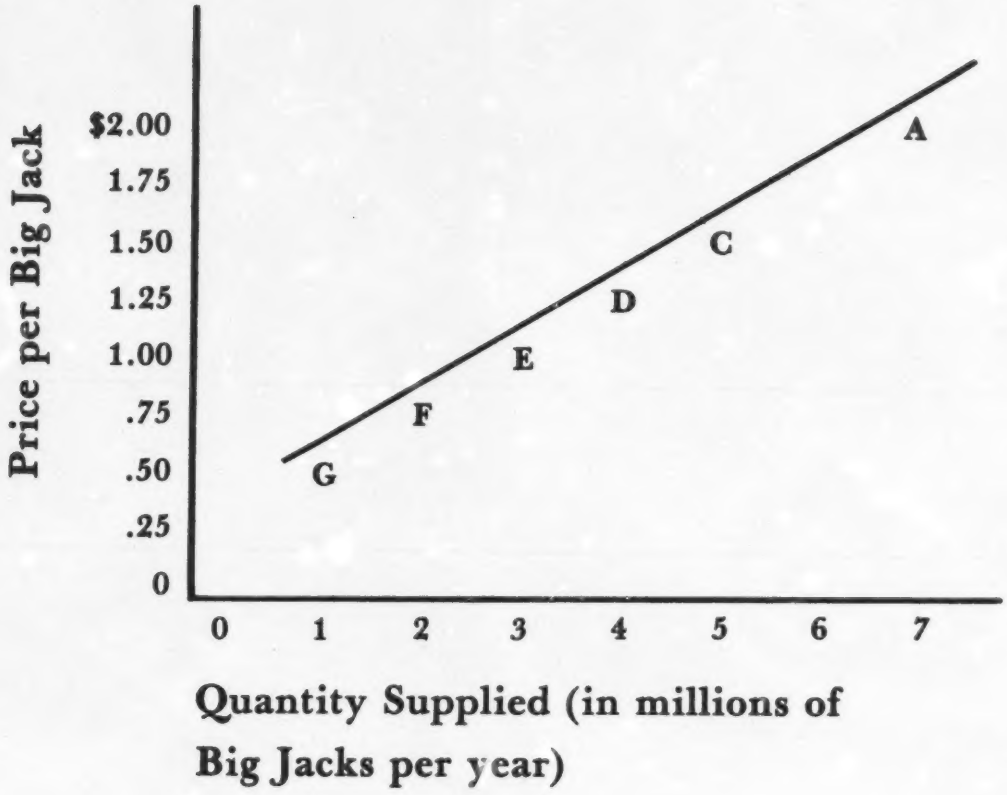
Answer each of the following questions in writing.

1. In your own words, write an explanation of the law of supply and demand.

2. What is the main system that is used in the United States to decide which goods and services will be produced and who will receive them?

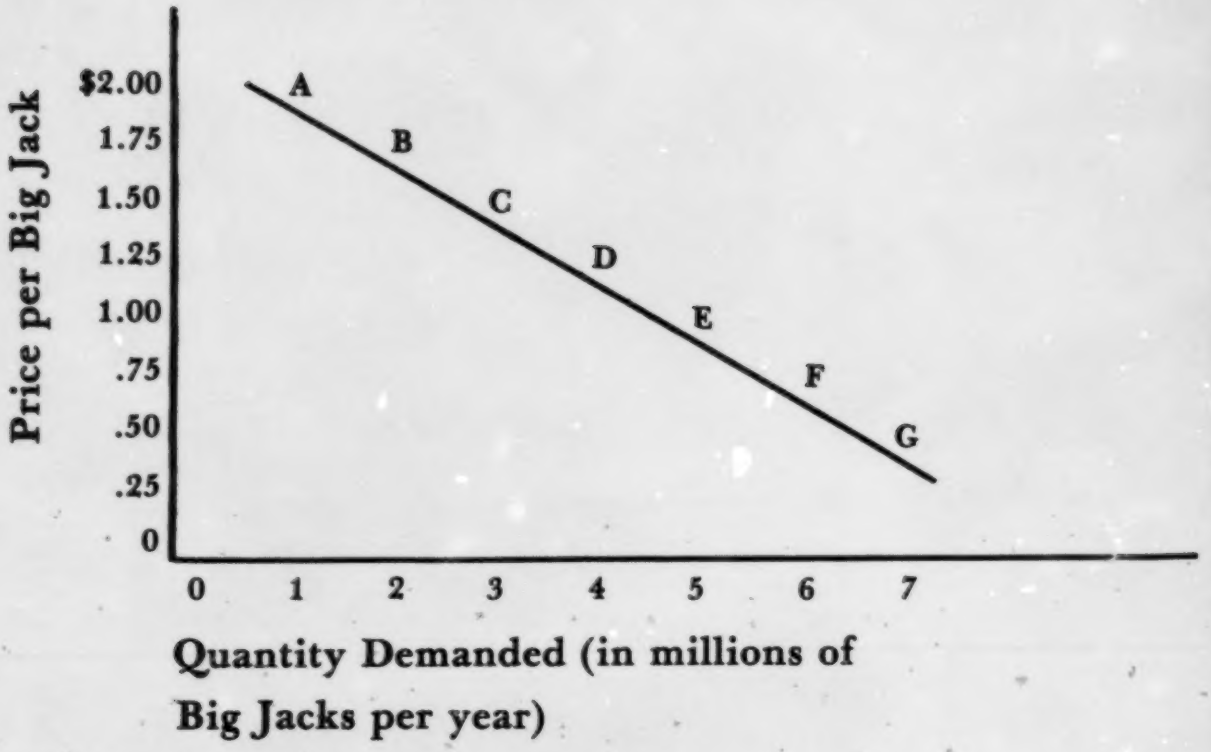
3. What are the main components of the market system?

SUPPLY CURVE



TRANSPARENCY A

DEMAND CURVE



ANSWER KEYS

Handout 1: Pretest for Markets, Supply, and Demand

1. + 2. + 3. + 4. 0 5. 0 6. + 7. + 8. 0
9. + 10. 0 11. + 12. + 13. 0 14. 0 15. 0 16. +

Handout 2: Word Research Puzzle

1. market
2. demand
3. supply
4. price
5. buyer's market
6. seller's market
7. elastic demand
8. monopoly
9. utility
10. consumer

Handout 5: Questions to Accompany the Case Study

1. The farmer produces in hopes of making a profit.

2. The farmer finds it hard to endure periods of low or no profit because of high costs of production.

3. Prices tend to control production in that high prices tend to increase production and low prices tend to discourage production.

4. They decided to raise more soybeans because the price was higher than for milo and cattle.

5. The principle is that when price remains above the cost of production, new competitors enter the market.

6. They created a buyer's market by creating more supply than the demand could handle.

7. Higher production tends to lower prices. Lower production tends to increase prices.

8. The price of cattle and milo rose because the supply of cattle and milo decreased due to the shift in production from cattle and milo to soybeans.

9. It was created by the decrease in supply and the accompanying rise in price.

10. The relationship of supply and demand to the price of soybeans could be stated as follows: when the demand is high and supply is low, the price rises. When the supply is high and the demand is low, the price falls.

UNIT IX: THE PRICE MECHANISM

Abstract

In this unit, students become aware of the concept of the price mechanism. Students will examine the price mechanism and its relationship to the concepts of supply and demand. They will be encouraged to observe fluctuations in prices and to discover why and how those changes occur. The effect of prices upon their lives will be demonstrated.

Major Teaching Strategies

Classroom discussions and writing activities will be the major teaching strategies. Listing, comparing, drawing inferences, generalizing, and working in groups will also be used.

Materials Needed

Materials needed for this unit will be given as a part of each lesson plan.

Generalizations

When students have completed this unit, they should be able to make the following generalizations:

- The price mechanism refers to market prices that are the principal ways of distributing scarce resources among the unlimited wants to the American people.
- Prices are indicators to producers, consumers, and workers that help them to decide which economic choices are the most rational and profitable decisions.
- Prices convince consumers to conserve or to limit their use of scarce resources.

Objectives

When the students have completed this unit, they should be able to:

- Describe the role of price in the process of supply and demand
- Explain how the price mechanism functions
- List several of the factors that determine price in the private enterprise system.

LESSON 1
Learning Terms for the Price Mechanism

Materials Needed

- Handout 1: Pretest on the Price Mechanism
- Handout 2: Crossword Puzzle—Vocabulary Exercise
- Transparency A: Supply and Demand Curves
- Overhead projector

Teaching Strategies

1. Begin by administering Handout 1: Pretest on the Price Mechanism to students to determine the extent of their familiarity with some of the ideas related to the price mechanism.

2. Review the law of supply and demand. This will serve to refresh students' memories about an integral part of the price mechanism.

3. Show Transparency A: Supply and Demand Curves on the overhead or chalkboard to illustrate how price is arrived at, what happens to price when demand increases, and what happens when supply increases.

4. Give each student a copy of Handout 2: Crossword Puzzle—Vocabulary Exercise. Use it as a vocabulary activity.

5. Divide the class into small groups. For homework, assign each group a common food item (such as bread, milk, sugar, etc.) to price. Individual members of the group could be assigned to check the prices of the item at different stores.

   Also, tell each group to list the stores that offer trading stamps, contests to win cash prizes, coupons, or other means of attracting customers that could make a difference in the prices.

   This information should be tabulated later in the unit. The groups could also check a local newspaper on the day the stores offer specials to see if the price of the item has changed.

   Remind students to be prepared to compile their findings during Lesson 3.

LESSON 2
Eggs and the Price Mechanism

Materials Needed

- Handout 3: A Case Study—Eggs in the Price Mechanism
- Handout 4: Questions For A Case Study—Eggs in the Price Mechanism
- Answer Key for Handout 4

Teaching Strategies

1. Give each student a copy of Handout 3. Ask students to read the case study silently.

2. Give each student Handout 4. Ask students to answer the questions in writing.

3. When most students have completed answering the questions, begin a discussion of the case study. Use the questions as organizers.

LESSON 3
Why Prices Do Not Remain Constant

Materials Needed

Both old and new copies of the business sections of large city newspapers, *The Wall Street Journal, Business Week, Newsweek,* etc.

Teaching Strategies

1. Ask the small groups that were assigned to check prices of food items during Lesson 1 to compile their results.

2. Following this activity, conduct a class discussion of the results of this research. Ask why prices varied.

3. Tell the students to prepare three lists of items.
   a. One list should be of the things consumers will buy almost regardless of price.

b. One list should be of things consumers will tend not to purchase if prices rise sharply.
c. The third list should consist of things consumers will quit buying if substantial price raises go into effect.

Provide time for students to discuss the lists and describe the types of items in each list. The students should try to arrive at some conclusions that deal with the relationships between prices, demand for various goods, and the nature of people's needs.

4. Assign the students to research the business sections of large city newspapers *The Wall Street Journal, Business Week, Newsweek,* etc. for articles about the prices consumers pay. Tell them to make a study of such articles (going back six to eight weeks) to find out the reasons given for price increases or decreases during that time.

5. Students can prepare reports on trends in consumer prices and the reported reasons for changes or lack of change. Reports can be in graph or narrative form and will be used in Lesson 5.

LESSON 4
Practical Reasons for Product Pricing

Materials Needed

No special materials are needed, except videotaping equipment, if desired and available. However, some advanced organizing will be necessary.

Teaching Strategies

1. Ask a store manager/owner to be a guest speaker. (Perhaps a videotape could be made of the talk to show classes if the speaker is pressed for time.) Explain what activities have preceded the visit so that the speaker will understand what the students have been studying.

2. Ask the speaker to explain how the prices of some of the items in the store are determined.

3. Ask the speaker to explain when and why some prices are changed, why some changes are temporary or permanent.

4. Ask how these changes reflect the law of supply and demand:

5. Perhaps the speaker can describe efforts to meet the price competition provided by other merchants.

6. Allow time for students to ask questions. Students can prepare questions during the talk, or they can have them already prepared.

LESSON 5
Evaluation—The Price Mechanism

Materials Needed

- Handout 1: Pretest on the Price Mechanism
- Handout 5: Posttest on the Price Mechanism

Teaching Strategies

1. Through a brief discussion, reinforce the idea of the law of supply and demand and its effect on prices.

2. Review with students the main points that the speaker made during Lesson 4.

3. Review the operation of the price mechanism. It is the principal means of distributing scarce resources among the unlimited wants of the American people. The issue of health care costs can be cited as an example of how this principle works.

   Prices indicate to the various segments of the economic system which economic decisions are the most rational and profitable ones to make. The case study provided in this unit can be used to illustrate this point.

4. Allow students to describe their graphs or to read their narrative reports on consumer prices in Lesson 3.

5. a. Give each student a copy of Handout 1 and a copy of Handout 5. Ask them to complete these two tests.
   b. After students have finished, correct the tests in class so students will have immediate feedback. Have them compare their scores on the pretest from Lesson 1 with their scores on the same test during Lesson 5. This score will give you some indication about how well students learned the materials on the Price Mechanism.

Handout 1

Pretest on the Price Mechanism

Place a plus (+) before each true statement and a zero (0) before each false statement.

____ 1. The price system is the method by which consumers exchange labor for goods and services through the use of money.

____ 2. When money is plentiful, prices tend to be low.

____ 3. High prices encourage the production of more goods.

____ 4. When prices are higher than normal, it causes the industry to expand.

____ 5. Demand does not reflect people's choices.

____ 6. Supply reflects scarcity.

____ 7. The more we are willing to pay for something, the lower our demand is.

____ 8. When the price of something rises, people generally buy less of it.

____ 9. When the price of something rises, some people will buy a cheaper substitute.

____ 10. The lower the price of something, the more people will buy.

____ 11. When too much of a good is supplied, a shortage exists.

____ 12. When too much of a good is demanded, a surplus exists.

____ 13. The equilibrium price is the price at which the buyers are willing to buy just exactly as much as the sellers are willing to sell.

____ 14. Wages and salaries could be called the price of labor.

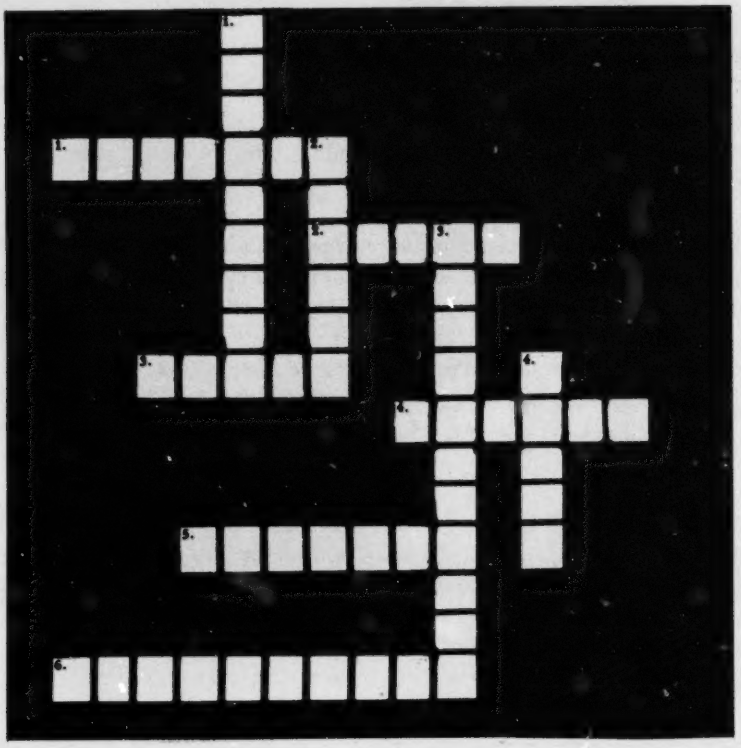
____ 15. A change in demand can cause a change in price.

____ 16. Price conserves the use of existing goods.

____ 17. Changes in price affect where workers work.

____ 18. Changes in price affect how savings are invested.

Handout 2
CROSSWORD PUZZLE—VOCABULARY EXERCISE



Across

1. A _____ exists when too much of a good is produced.
2. The _____ system is the method by which consumers trade labor for goods through the use of money.
3. When _____ is plentiful, prices tend to be high.
4. The wants and desires of consumers create _____.
5. _____ spending means that more money is spent than is taken in.
6. One of the factors affecting price is the cost of _____.

Down

1. _____ is a rapid rise in prices caused when wages increase faster than production.
2. Prices vary according to the law of _____ and demand.
3. _____ is created when people vie against one another for limited resources.
4. _____ and salaries can be called the price of labor.

NOTE: It may be necessary to provide a list of the terms for students to draw from.

Handout 3
A CASE STUDY—EGGS IN THE PRICE MECHANISM

For the purposes of exploring the working of the price mechanism, we will examine the following hypothetical case. Let us assume that the Browns, the Harts, the Garcías, the Kelleys, and the Grays are farmers in a county in Texas. The Browns and the Harts maintain large flocks of chickens to produce eggs which they sell to local grocery stores for $.75 per dozen. The Garcías, the Kelleys, and the Grays raise soybeans, milo, and cattle which they sell to local buyers.

A new factory moves into the main town in the county and causes an influx of several hundred employees who settle in the town. The increase in population causes the demand for eggs to increase. The quantity of eggs that the grocery stores want to buy from the Browns and the Harts increases, creating a shortage of eggs. This shortage of eggs drives the price up to $1.50 per dozen as the grocers compete for the limited supply of eggs. This price causes the quantity of eggs demanded to drop. One reasons is that some of the consumers cannot afford to pay that much for eggs; they stop buying eggs and buy breakfast food instead. Other people continue to buy eggs but purchase fewer of them. The people who really like eggs (and can afford them) continue to buy them at the same rate.

Since the price of eggs has risen to $1.50 per dozen, the farmers who are producing them expand their operations to increase their profits. When the Garcías, the Kelleys, and the Grays learn of the big profits being made by the other two farm families, they begin producing and selling eggs. As each new producer adds eggs to the market, the total supply increases. Eventually, a surplus is created. As the supply grows, the price moves downward. The supply continues to increase, and the price drops until the "normal" price is reached. As the price drops, the Garcías, the Kelleys, and the Grays cut back their production of eggs since it is no longer profitable for them to continue egg production. The industry has now returned to the equilibrium price. (This occurs when the price the consumers are willing to pay equals the supply the sellers are willing to sell.)

We can see that the price of eggs acted as an indicator to everyone in the economy. When the price rose, it indicated to farmers that a scarcity (shortage of eggs) existed. They responded by expanding their operations to produce more eggs. Farmers who hadn't been producing eggs entered the competition. When the price fell, producers (farmers) received a signal to cut back production. Store owners were affected by the price change also. When they couldn't get enough eggs to meet the demand, they had to raise the price to obtain a bigger supply for their customers. When customers slowed their purchases of eggs because of higher prices, owners had to lower the price to get rid of the eggs they had purchased from the farmers. When the price was high, customers had to decide if they could continue to purchase eggs or if they had to buy a substitute. When the price was low, customers could buy as many eggs as they needed.

Handout 4

QUESTIONS FOR A CASE STUDY— EGGS IN THE PRICE MECHANISM

1. How did the change in the town's population affect the price of eggs? Why?

2. What happened to the production of eggs when the price rose? Why?

3. What happened to the customers' demand for eggs when the price went up to $1.50 per dozen?

4. How did different customers react to the price increase?

5. What do we call the situation in which there were not enough eggs for the people who wanted to buy them?

6. What do we call the situation in which there were more eggs than the people wanted to buy?

7. Why did the farmers who weren't producing eggs decide to enter the market?

8. How did the price of eggs act as a signal to members of the economy?

Handout 5
POSTTEST ON THE PRICE MECHANISM

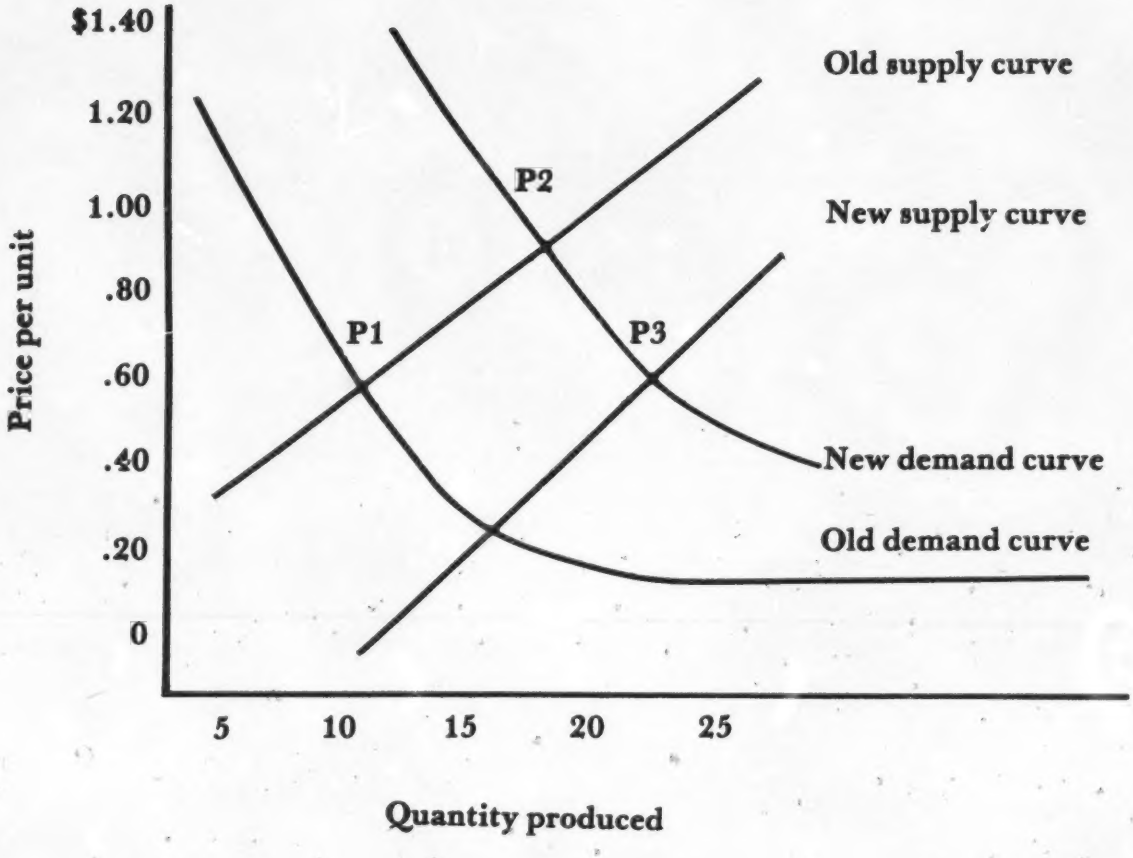
Answer the following questions in written form.

1. In your own words, write an explanation of how the price mechanism works.

2. In your own words, explain how price acts as an indicator to different members of the economy. Give two examples.

3. Explain how prices conserve scarce resources.

SUPPLY AND DEMAND CURVES



1. P1 is where demand and supply meet. This is the price at which buyers are willing to buy and sellers are willing to sell.

2. P2 is the new price. When the demand for the product increases, it forces the price to rise as consumers compete for the limited supply.

3. P3 is the price after the supply increases to meet increased demand. The price falls since competition lessens due to the greater availability of the product.

ANSWER KEYS

Handout 1: Pretest on the Price Mechanism

1. +	6. +	11. 0	16. +
2. 0	7. 0	12. 0	17. +
3. +	8. +	13. +	18. +
4. +	9. +	14. +	
5. 0	10. +	15. +	

Handout 2: Crossword Puzzle—Vocabulary Exercise

Across:

1. surplus
2. price
3. money
4. demand
5. deficit
6. production

Down:

1. inflation
2. supply
3. competition
4. wages

Handout 4: Questions for a Case Study—Eggs in the Price Mechanism

1. The increase in population raised the price of eggs because the demand for eggs was increased.
2. Egg production increased because the rise in price encouraged farmers to increase production in hopes of making more profits.
3. Demand dropped because some customers could not afford to pay such a high price.
4. Some customers continued to buy at the new price. Some bought a substitute.
5. The situation that existed at that point is called a shortage.
6. This situation is called a surplus.
7. Higher prices encourage the production of more goods. The farmers who weren't previously producing eggs followed this principle in the hope of making high profits.
8. Price told farmers to increase and then to decrease production. Increased prices forced customers to make the decision of whether or not to continue buying eggs. Competition between grocers forced them to raise the price to get eggs from farmers and later to lower the price to continue selling eggs.

COMPLIANCE STATEMENT

TITLE VI, CIVIL RIGHTS ACT OF 1964; THE MODIFIED COURT ORDER, CIVIL ACTION 5281, FEDERAL DISTRICT COURT, EASTERN DISTRICT OF TEXAS, TYLER DIVISION

Reviews of local education agencies pertaining to compliance with Title VI Civil Rights Act of 1964 and with specific requirements of the Modified Court Order, Civil Action No. 5281, Federal District Court, Eastern District of Texas, Tyler Division are conducted periodically by staff representatives of the Texas Education Agency. These reviews cover at least the following policies and practices:

(1) acceptance policies on student transfers from other school districts;

(2) operation of school bus routes or runs on a non-segregated basis;

(3) nondiscrimination in extracurricular activities and the use of school facilities;

(4) nondiscriminatory practices in the hiring, assigning, promoting, paying, demoting, reassigning, or dismissing of faculty and staff members who work with children;

(5) enrollment and assignment of students without discrimination on the basis of race, color, or national origin;

(6) nondiscriminatory practices relating to the use of a student's first language; and

(7) evidence of published procedures for hearing complaints and grievances.

In addition to conducting reviews, the Texas Education Agency staff representatives check complaints of discrimination made by a citizen or citizens residing in a school district where it is alleged discriminatory practices have occurred or are occurring.

Where a violation of Title VI of the Civil Rights Act is found, the findings are reported to the Office for Civil Rights, Department of Health, Education and Welfare.

If there is a direct violation of the Court Order in Civil Action No. 5281 that cannot be cleared through negotiation, the sanctions required by the Court Order are applied.

TITLE VII, CIVIL RIGHTS ACT OF 1964; EXECUTIVE ORDERS 11246 AND 11375; TITLE IX, 1973 EDUCATION AMENDMENTS; REHABILITATION ACT OF 1973 AS AMENDED; 1974 AMENDMENTS TO THE WAGE-HOUR LAW EXPANDING THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967; AND VIETNAM ERA VETERANS READJUSTMENT ASSISTANCE ACT OF 1972 AS AMENDED IN 1974.

It is the policy of the Texas Education Agency to comply fully with the nondiscrimination provisions of all federal and state laws and regulations by assuring that no person shall be excluded from consideration for recruitment, selection, appointment, training, promotion, retention, or any other personnel action, or be denied any benefits or participation in any programs or activities which it operates on the grounds of race, religion, color, national origin, sex, handicap, age, or veteran status (except where age, sex, or handicap constitute a bona fide occupational qualification necessary to proper and efficient administration). The Texas Education Agency makes positive efforts to employ and advance in employment all protected groups.